Cedar Woods Properties Limited

2016 Annual Report

ABN 47 009 259 081

Cedar Woods

Award Winning Property Developer

About Cedar Woods

Cedar Woods Properties Limited is an Australian property development company. The company was established in 1987, was listed on the Australian Securities Exchange in 1994 and was admitted to the ASX 300 in 2013. The company's shares trade under the security code 'CWP'.

The company's principal interests are in urban land subdivision and built form development for residential, commercial and retail purposes. Its portfolio of assets is located in Western Australia, Victoria, Queensland and South Australia. 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.

Downloadable content

Cedar Woods Properties has taken the opportunity to publish the Corporate Governance statement on its website rather than include in the annual report. A copy of the 2016 Corporate Governance statement can be downloaded from the investor relations section of the website. www.cedarwoods.com.au

Other information that is available in the investor relations section is listed below.

- Board Committee Charters
- Risk Management Policy and Internal Compliance and Control System
- Investor Communications Policy
- Continuous Disclosure Policy
- Performance Evaluation Policy
- Privacy Policy
- Primary Objectives and Company Code of Conduct
- Securities Trading Policy
- Diversity Policy

Sustainability Reports are available on our website in the Shareholder Reports section.

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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.

We are guided by four key values. They act as critical drivers of Cedar Woods' culture.

Integrity

- Do what is right and do what we say we will do.
- Uphold honesty, truthfulness and sincerity whilst remaining fair and ethical with all stakeholders.

Performance

- Meet or exceed the expectations of stakeholders, communities, customers and suppliers.
- Maintain a strong financial position to allow us to be competitive and engage in opportunities when they arise.

Innovation

- Strive to create and deliver new products to develop and grow as a business.
- Foster a culture that encourages learning, new ideas and rewards creativity.

People and Environment

- Make positive contributions to communities in which we operate.
- Attract, develop and retain the best talent for our business, challenging our people, demonstrating a can do attitude and fostering a collaborative and mutually supportive environment.

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.

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

Our Strategy and Business Model

Our Strategy

"To grow and develop our national project portfolio, diversified by:

- *geography*
- *product type*
- *price point*

so that it continues to hold broad customer appeal and performs well in a range of market conditions."

Delivering on strategy in FY2016

We have further diversified our portfolio geographically with the acquisition of the Wooloowin project in Brisbane and the Glenside project in Adelaide. We were also selected as preferred proponent for the acquisition of land at Port Adelaide.

We launched our first apartment project at the Williams Landing Town Centre and we are planning new medium density product at Wooloowin and Glenside, while we have now launched new residential estates at Ellendale in Brisbane and Bushmead in Perth.

The first home buyer, upgrader and investor segments are all well catered for in our product range and the Brisbane, Perth and Adelaide markets offer excellent affordability.

Our Business Model

Property Acquisitions

Disciplined approach to acquisitions

- Identify projects that meet closely defined criteria
- Assess prospects in line with corporate strategy and financial targets
- Structure contracts to minimise risks and optimise exposure (including Joint Ventures)

Development

Research, design, planning and delivery

- Designs to meet agreed project vision
- Achieve required approvals
- Ongoing market research and assessment of designs to meet financial and non-financial objectives
- Manage construction within annual budget, cost and timeframe

Marketing & Sales

Positioning projects to meet demand

- Generate pre-sales to underwrite stages of projects
- Ongoing monitoring of sales conditions and buyer groups
- Efficient settlement management

Cedar Woods

Financial and Operating Review

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

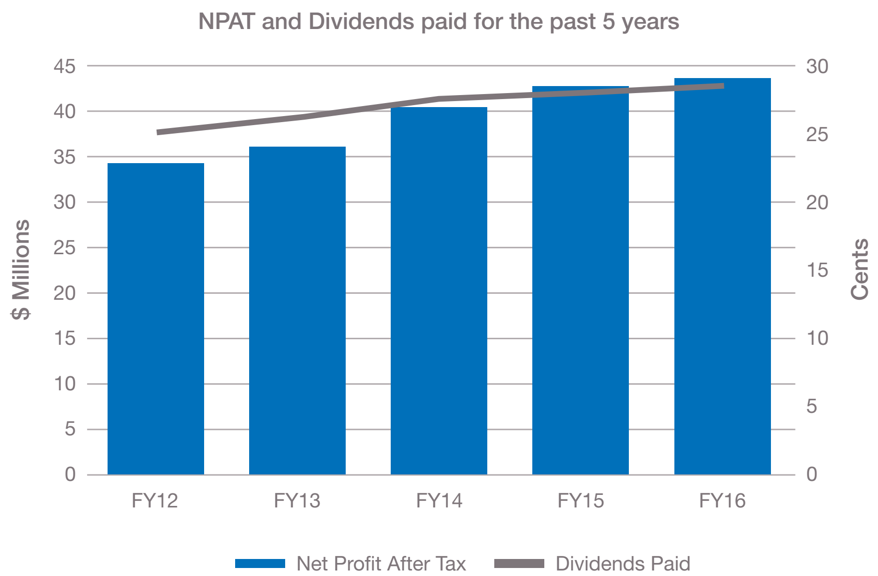
The following summarises the results of operations during the year and the financial position of the consolidated entity at 30 June 2016:

a) 2016 Financial Highlights

- **record net profit of $43,602,000, up 2.4 per cent;**
- **record full year dividends of 28.5 cents per share, up 1.8 per cent;**
- **record earnings per share of 55.3 cents, up 1.8 per cent;**
- **low level of bank debt;**
- **strong interest cover;**
- **approval received from financiers to increase our corporate finance facility from $135,000,000 to $175,000,000 to provide funding for acquisitions.**

b) Growth in Net Profit After Tax (NPAT) and Dividends Paid

Cedar Woods has a track record of growth over the past five years with Net Profit after Tax growing from $34.3m in FY12 to $43.6m in FY2016 and dividends declared growing from 25 cents to 28.5 cents per share.



c) 2016 Financial Results Summary

Year ended 30 June	2016 $'000	2015 $'000	% Change
Revenue	175,159	178,637	(1.9%)
Proceeds from Masters store sale	-	36,000	-
Total revenue and other proceeds from property sales	175,159	214,637	(18.4%)
Net profit after tax	43,602	42,585	2.4%
Total assets	452,729	383,330	18.1%
Net bank debt	50,344	27,908	80.4%
Shareholders' equity	307,188	285,605	7.6%

d) Key Performance Indicators

Year ended 30 June		2016	2015	% Change
Basic and diluted earnings per share	¢	55.3	54.3	1.8
Dividends per share – fully franked	¢	28.5	28.0	1.8
Return on equity	%	14.2	14.9	(0.7)
Return on capital	%	18.3	19.5	(1.2)
Total shareholder return (1 year)	%	(9.6)	(24.3)	14.7
Net bank debt to equity – 30 June	%	16.4	9.8	6.6
Interest cover	x	16.6	9.9	67.7
Net asset backing per share – historical cost	$	3.89	3.62	7.5
Shares on issue – end of year	'000	78,892	78,892	0.0
Stock market capitalisation at 30 June	$'000	343,179	414,970	(17.3)
Share price at 30 June	$	4.35	5.26	(17.3)

e) Financial Year Overview

During FY2016, market conditions remained challenging in Western Australia, while Eastern States property markets continued to perform well. The company continued to diversify its national portfolio with an acquisition at Wooloowin in Brisbane, as well as being chosen by the South Australian Government as preferred proponent for the Glenside project in Adelaide. Shortly after the end of the financial year a conditional contract was secured for the acquisition of the Glenside site, and the company was also selected as the preferred proponent for the redevelopment of two precincts at Port Adelaide.

During the year, significant progress was made with stages developed across the company's property portfolio of active projects. In particular, the company's Ellendale development in Upper Kedron, Brisbane, received initial planning approval for the first 480 lots in FY2016, with the planning process now underway for the balance of the 228ha site. In addition, plans and approvals were progressed for a number of developments anticipated to commence in future years, with important planning milestones achieved at Bushmead and Mangles Bay. Further details of achievements in the property portfolio follow in the next section.

The year closed with a record full year net profit of $43.6m, being the sixth consecutive year of record profit and earnings, allowing the Board to declare a record full year dividend of 28.5 cents per share.

As a result, earnings per share for FY2016 was 55.3 cents, an increase of 1.8 per cent on the previous year.

Return on equity of 14.2 per cent and return on capital of 18.3 per cent were well above the company's benchmarks of 12 per cent and 14 per cent respectively.

The 1 year total shareholder return was -9.6%. Despite the record profit, the company's share price continued to be impacted by negative market sentiment towards WA exposed companies and the residential property sector in general.

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f) Operational Review of Developments

The housing sector has experienced strong levels of activity in FY2016 with housing starts running at record levels nationally, fuelled by low interest rates and improving consumer sentiment. Building approvals continue at high levels in all states except WA, but are expected to ease in FY2017. The HIA economics group is forecasting annual dwelling starts to decrease in FY2017 with FY2016 the peak year in the cycle, but demand is forecast to continue at historically robust levels.

In Victoria demand remains strong, particularly for well-located property close to transport infrastructure and other amenities. Solid price gains have been experienced in the Melbourne market over the last twelve months although prices are now beginning to moderate.

In WA, ongoing population growth, relatively low unemployment and improving affordability continue to sustain demand. Recent data has shown an uptick in land sales and new building activity after easing from the resources driven upswing.

In Queensland, State Treasury is forecasting 4% growth in the economy in FY2017, faster than every other state in Australia, driven by strong export activity. Dwelling investment is forecast to continue to grow at a steady rate with Queensland at an earlier phase in the housing cycle than the other states. Current high prices in Sydney and Melbourne are expected to cause increased demand for property in Brisbane, as investors chase higher yields and owner-occupiers seek greater affordability.

In South Australia, the economy is expected to grow by 2% in FY2017 as low interest rates, government infrastructure spending and shipbuilding stimulate that market.

i. Victoria

The company's projects in Victoria again performed well during the year, with strong sales and settlement results and good margins achieved.

Construction of the Botanica Apartments in Footscray, comprising 101 apartments, was completed with settlements occurring in June and July 2016. Two other townhouse stages at the Banbury Village development in Footscray were also developed with settlements now complete.

Several residential stages were completed at Williams Landing and good presales achieved for stages to be delivered in FY2017. The Newton Apartments project, comprising 57 one & two bedroom apartments, was successfully launched with 100% presales being achieved and construction underway. Completion is expected in FY2017. Planning for the next apartment project, Oxford apartments, is well advanced with a launch expected in mid FY2017.

While the shopping centre now operates with a high level of occupancy, some of the original specialty retailers have underperformed and provisions of approximately $800,000, covering outstanding rent and impaired lease incentives, were made in the second half FY2016. Strategies have been implemented to improve tenancy performance and minimise vacancies in the short term while, in the long term, performance of the shopping centre is expected to improve as the Town Centre matures.

Planning work for strata offices, a hotel and other commercial uses in the Town Centre is underway. The company sold a site to aged care facility developer and operator, Tricare, during the year adding to the diversity of developments at Williams Landing.

The company's new housing developments, St A. in St Albans and Jackson Green in Clayton South, have progressed well with civil contractors and home builders appointed, and planning permits in place for the initial stages of housing at both projects.

The Victorian State Government is well progressed with the new station and level crossing removal at St. Albans, with completion expected in FY2017. Level crossing removal and the commencement of station construction works at Clayton, near the Jackson Green development, is also expected in FY2017.

ii. Western Australia

Market conditions in Western Australia eased during FY2015 and FY2016 after the resource driven peak, however early signs of improved conditions are now emerging. Although overall sales volumes declined, Cedar Woods has continued to achieve steady sales during FY2016, particularly at its estates in high-growth areas where limited competing product is available.

The marketing launch of an exciting new project at Bushmead took place in late July to encouraging early results, with all 15 lots in the first release sold within three days. This project is located 15 kilometres north-east of the Perth CBD and is in close proximity to the Midland town centre and the Perth Airport precinct.

Two thirds of the land at Bushmead will be set aside as park and recreational reserves, creating a unique environment for the enjoyment of local residents. The total project site covers 273 hectares and will be developed in stages to deliver approximately 935 lots over the next 8-10 years.

Consistent sales have been achieved in the final canal stage of Mariners Cove in Mandurah and there are only a small number of lots remaining. Plans for the development of a waterfront site, allowing medium density housing, are being progressed.

At Ariella Estate in Brabham, which is located 17 kilometres north-east of Perth's CBD and within a strong growth corridor, construction of the 94-lot Stage 2 was completed in April 2016. The Sales and Marketing Centre is now open, with pleasing levels of enquiry and sales continuing. The commencement of construction of Stage 3 is expected during FY2017.

During the first half of FY2016 Cedar Woods completed the acquisition of 51 hectares of land at North Baldivis, located 36 kilometres south of Perth, adjoining an existing Cedar Woods landholding of 68 hectares. The combined landholding of 119 hectares will enable economies of scale and provide opportunities for efficiency in estate design and, being located next to the Kwinana Freeway, is expected to be a landmark project for the Baldivis corridor. The company is well established in this region and this project will provide an extended presence in the area. It will yield approximately 1580 lots over the next 10-15 years.

Planning continues for the Mangles Bay marina-based tourist precinct, 39 kilometres south of the Perth CBD. With all environmental approvals achieved, completion of statutory planning is anticipated in the first quarter of calendar 2017 and construction is anticipated to commence in FY2018. This mixed use project will provide much needed boating and tourism facilities, together with a range of housing options for the Rockingham region, as well as improved public access to the Mangles Bay beach front.

The Batavia Coast Marina Apartments project in Geraldton has underperformed, reflecting the property downturn in the resources-exposed regions of WA. The company has further impaired the carrying value of its investment in the trust by $1 million during the year, ($300,000 impairment recognised in the first half and $700,000 in the second half) with the investment now fully impaired as at 30 June 2016. A full provision was also made for a $400,000 loan to the trust.

iii. Queensland

Planning at the company's new Ellendale project in Upper Kedron in Queensland was progressed during the year, with approval for the first stages granted. Construction has commenced and the project recently launched with approximately 50 sales already achieved.

Home builders have expressed strong interest in the display village which will commence construction following completion of civil works. The Queensland State Government approved the initial 480 dwellings on the site. The balance of the project is subject to a further planning process which is expected to conclude in late 2017.

In December 2015 the company purchased another well located site in Brisbane, being 3.8 hectares in Wooloowin, a sought after suburb 6 kilometres north of the Brisbane CBD. Design work is underway for a medium-density residential development on the site; a process expected to conclude in FY2018. The site is well located in relation to train stations, shopping centres, schools and parks.

iv. South Australia

In July 2016 Cedar Woods confirmed the purchase of a 16.5 hectare site from the State Government at Glenside in the city's inner eastern suburbs, just 3 kilometres from the CBD. Settlement of the purchase will occur upon finalisation of the rezoning, which is expected to occur later this year. The site will accommodate approximately 1,000 dwellings.

The company was also selected as preferred developer by the State Government for a site at Port Adelaide. The site is 14 kilometres north-west of the Adelaide CBD and only 1.5 kilometres from Semaphore Beach. The 12.6 hectare site covers two precincts (North West and Fletcher's Slip) which form part of a larger 40 hectare redevelopment area.

Port Adelaide is located 7 kilometres from the Techport precinct, which is the confirmed build location for Australia's next generation Future Submarines and Future Frigates Program commencing in 2018, creating thousands of new long-term jobs. The project site will accommodate approximately 500 dwellings across the two precincts with the majority being two and three storey townhouses.

The State Government's agency, Renewal SA, and Cedar Woods will work together over the next six months to develop a master plan for the Port Adelaide project, in consultation with the community.

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g) 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 consistent 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 2.4 per cent and dividend growth of 1.8 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 key areas of focus, as set out in the Corporate Plan and shown in our business model on page 7 are:

i. Acquisition of properties

The focus on the project pipeline guides management's activities by ensuring there is sufficient diversity by geography and product to meet the company's ongoing earnings objectives in the years ahead and influences the company's acquisition strategy. Consequently, progress with acquisitions in FY2016 was achieved in 3 different states and with regard to a variety of housing types.

In the last year the company acquired an additional 51 hectares of land at North Baldivis (WA), adjacent to the company's existing land holding purchased in 2011. Fully developed, the additional land is expected to produce approximately 700 residential lots and the combined land holding will have a total lot yield of approximately 1580 lots.

In Dec 2015 the company purchased another well located site in Brisbane (QLD), 3.8ha in Wooloowin, a sought after suburb 6 kilometres north of the Brisbane CBD. Progress was made towards the acquisition of two landholdings in Adelaide (SA) as detailed in the preceding sections.

A summary of the project pipeline may be found at the end of this Financial and Operating Review on page 16.

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 Western Australia, Victoria, Queensland and South Australia 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 continued 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. The company sold a site to aged care facility developer and operator, Tricare, during the year adding to the diversity of developments at Williams Landing.

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 successfully launched new projects at Ellendale (Upper Kedron) in Brisbane's western corridor and at Bushmead in Perth's eastern corridor during the year and progressed approvals for a number of other projects across its portfolio that will contribute in future years.

h) 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), Queensland (metropolitan) and South Australia (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 various consumer segments.

Whilst house and land prices fluctuate, underlying demand will be driven by population growth and changing demographics. 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 "call in" of the Upper Kedron project by the Queensland Government provides an example of such risks, with the company's program for that project delayed by approximately twelve months, although approval has now been received to enable development to commence. The company aims to balance its portfolio at any time in favour of mature projects where the project risks are generally diminished.

i) Capital Management

The company reviewed its credit facilities during the year, maintaining the corporate bank facility limit at $135m, and extending the tenure by a further year to November 2018. The company has received recent approval from its financiers to increase its current corporate facility from $135m to $175m to provide funding for the Glenside and Port Adelaide opportunities. In addition, the company has a facility of $30m in place for the Williams Landing Shopping Centre, expiring in February 2019. The year concluded with a low net debt to equity of 16.4 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 16.6 times.

The dividend policy, which is to distribute approximately 50 per cent of the annual net profit, was maintained. The company suspended the dividend reinvestment plan and bonus share plan during the year in response to capital management initiatives, having regard to the company share price.

j) 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.

k) People

Cedar Woods remains committed to an inclusive workplace that embraces and promotes diversity. 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.

During the year the company introduced new staff induction and retention initiatives, including an Employee Service Recognition Policy.

l) 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 has reviewed its corporate governance framework and practices and has implemented a number of key changes:

- a review of the company's Board committees that has resulted in the company achieving a fully independent Audit & Risk Management committee,
- a review of the remuneration framework for the key management personnel, including improved linkage of the performance assessment to the company's balanced scorecard, and greater weighting towards variable components of executive remuneration,
- the implementation of a new equity based long term incentive plan that was announced last year.

Further details of these changes are contained in this Annual Report and the Corporate Governance Statement which is available on the company's website and also on the ASX website.

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m) Outlook

Cedar Woods is well positioned moving into FY2017 with strong pre-sales of $184 million, low debt, funding capacity and a diverse portfolio of developments in established growth corridors in Melbourne, Perth and Brisbane and, soon, Adelaide.

The development program for FY2017 will see the completion of a number of stages at new projects, including at Bushmead, Ellendale and in the Williams Landing Town Centre. The company anticipates that earnings will be skewed significantly to the second half of FY2017, with the first half result considerably lower than the first half of FY2016.

Assuming current market conditions continue in FY2017, the company is well placed to maintain profit momentum during the current financial year and into FY2018. The company anticipates a similar profit result in FY2017 to that achieved in FY2016.

A number of new projects, including Jackson Green and St A. in Victoria, where the first stages are already under construction, and North Baldivis and Mangles Bay in Western Australia, where development is expected to proceed over the next 12 months, together with the recent move into the Adelaide market, provide a positive growth outlook for future financial years.

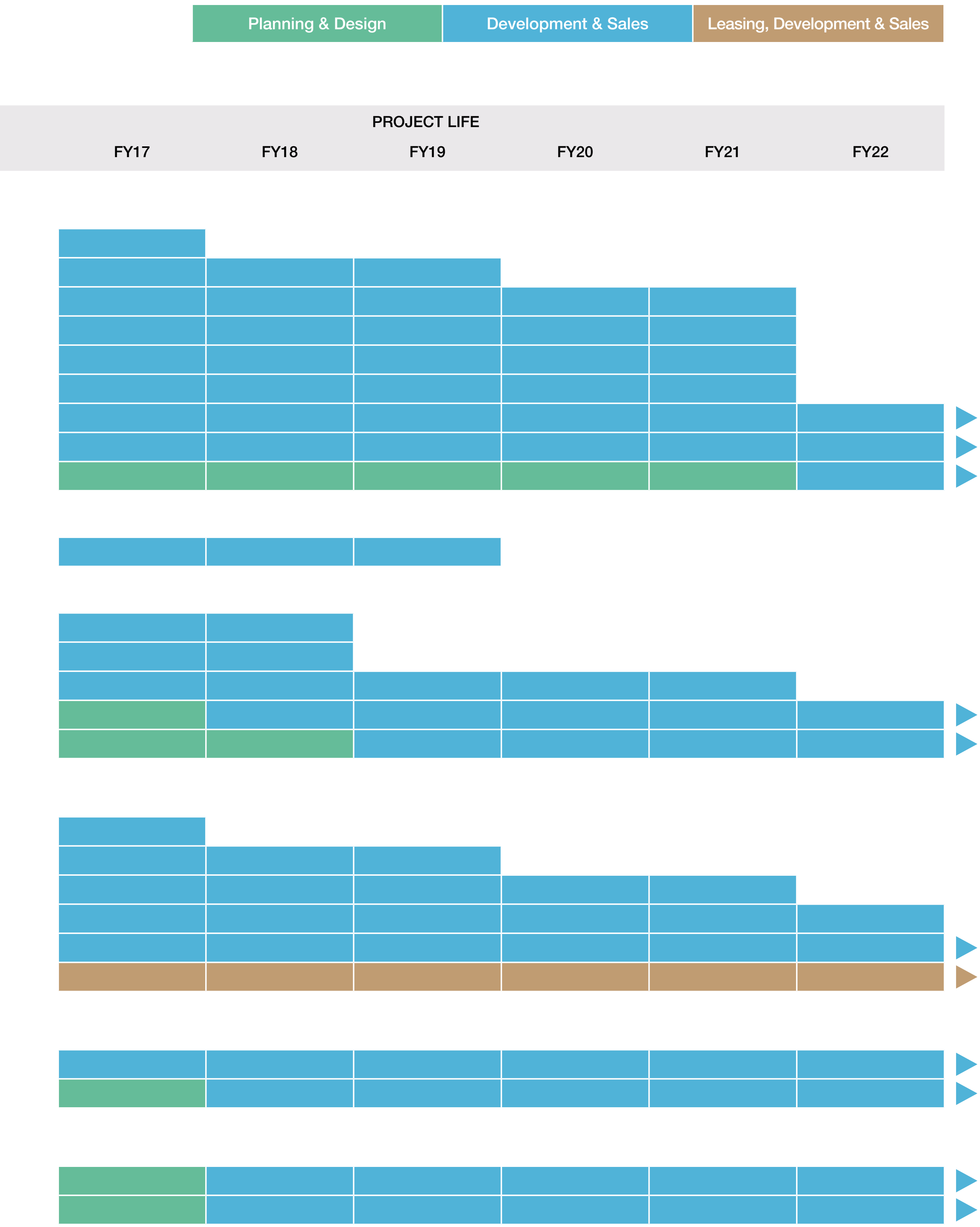
William Hames
Chairman

Paul Sadleir
Managing Director

Cedar Woods

Project Pipeline
as at 30 June 2016

PROJECT NAME	CORRIDOR / LOCATION	PROJECT TYPE	LOTS / UNITS PROJECT	LOTS / UNITS REMAIN
				(As of 1/7/16)
WESTERN AUSTRALIA - PERTH				
Mariners Cove	South	Canal	948	40
The Brook at Byford	South East	Residential Land	405	277
Rivergums Baldivis	South	Residential Land	1413	457
Ariella	North East	Residential Land	480	425
Byford on the Scarp	South East	Residential Land	324	262
Piara Waters / Forrestdale	South East	Residential Land	443	443
Bushmead	East	Residential Land	935	935
North Baldivis	South	Residential Land	1580	1580
Pinjarra	South	Residential Land	1080	1080
WESTERN AUSTRALIA - REGIONAL				
Elements South Hedland	Pilbara	Residential Land	136	15
WESTERN AUSTRALIA - "JV" PROJECTS				
Cedar Woods Wellard (Emerald Park)	South	Residential Land	665	135
Batavia Coast Marina Apartments	Mid-West	Apartments	54	27
Harrisdale Green	South East	Residential Land	427	262
Mangles Bay	South	Mixed Use	TBD	TBD
Western Edge	Pilbara	Residential Land	600	600
				6,538
VICTORIA - MELBOURNE				
Banbury Village	Inner West	Houses & Apartments	430	62
Carlingford	North	Residential Land	650	141
St Albans	North West	Houses & Apartments	250	250
Jackson Green	South East	Houses & Apartments	350	350
Williams Landing Residential	West	Residential Land	2385	721
Williams Landing Town Centre	West	Retail / Mixed Use / Apartments	600	600
				2,124
QUEENSLAND - BRISBANE				
Ellendale	North West	Residential	480	480
Wooloowin	Inner North	Houses & Apartments	279	279
				759
SOUTH AUSTRALIA - ADELAIDE				
Glenside (proposed)	Inner South East	Houses & Apartments	1000	1000
Port Adelaide (proposed)	North West	Houses & Apartments	500	500
				1,500


Planning & Design
Development & Sales
Leasing, Development & Sales
PROJECT LIFE
FY17
FY18
FY19
FY20
FY21
FY22

Cedar Woods

Environmental and Social Governance

ESG Reporting

Cedar Woods seeks to integrate sustainability best practice into all levels of decision making and project outcomes. To achieve this, leadership is provided at senior executive level to ensure that sustainability management and performance is integrated into the company's culture, processes and stakeholder relationships. This helps us manage the non-financial impacts and performance of our projects.

In addition, the company is working to embed innovation as a consistent business practice. It recently established an 'Innovation and Business Development Committee' in its Perth and Melbourne offices. Current areas of focus include: strengthening links with universities, housing construction efficiencies, affordability, shared equity, sales and marketing, finance packaging, deposit funding and existing business processes. These initiatives tie in with Cedar Woods emerging 'continuous improvement' approach to business.

This section summaries our sustainability performance for the past financial year. It provides updates and progress against targets and outcomes identified in the balanced scorecard reporting and allows us to communicate our achievements to our business, industry and stakeholder parties. It should be read in conjunction with Cedar Woods' annual Sustainability Report.

Sustainability Objective:

Integrate sustainability best practice into all levels of decision making and project outcomes.

Environment and Climate Change - enhance and rehabilitate environmental assets; remediate contamination as an integral part of project delivery; and promote renewable energy, energy efficiency and reduced energy consumption.

FY2016 Highlights and Achievements

- Cedar Woods continues to build on its track record of being an environmentally responsible developer. All greenfield projects continue to be subject to thorough site analysis and surveys at the outset to determine biodiversity objectives. This highlights the required local, state and commonwealth approvals and opportunities for retention and management of biodiversity to improve project outcomes.
- Bushmead has been recognised by the State government as delivering an improved environmental outcome, based on Cedar Woods gifting two-thirds of the site for conservation management and the remediation of site contamination. Commonwealth environmental approval has now been granted. The first stage subdivision has now commenced.
- The Ellendale masterplan dedicates 40% of the site as a greenspace corridor. It has received Federal, State and local government environmental approvals. A Queensland State government review concluded that the Cedar Woods project would result in overall environment enhancement, including restored habitat linkages, improved wildlife movement networks, including fauna underpasses, squirrel glider poles and nesting boxes and ecological buffers.
- Cedar Woods' Sustainability Checklist and Sustainable Living Guide template continues to be rolled out in new estates, encouraging new home builders to make smart choices to address escalating energy costs, water scarcity and other impacts of climate change.

Optimising Land Use - delivering the best use of land by optimising land use mix and product yield in the context of high quality urban places that deliver quality of life.

FY2016 Highlights and Achievements

- By the nature of our business, a key outcome of our project delivery is to assist with residential and commercial land supply in line with the Perth, Melbourne, Brisbane and now Adelaide strategic planning frameworks. The company has developed a proven model for delivering quality, medium-density projects in middle and inner suburbs. This year saw an expansion of this model with the acquisition of an infill site in Wooloowin, in Brisbane's inner north, Glenside, just 3 kilometres from the Adelaide CBD, which will see 1,000 medium to high density homes, and the company's selection as preferred proponent for two redevelopment precincts in Port Adelaide.

Cedar Woods

- Our Melbourne office has continued to deliver strategic urban renewal projects along public transport corridors with further progress at Williams Landing Town Centre, St Albans, Jackson Green and the completion of Banbury Village.
- Perth based projects continue to be characterised by the acquisition of government priority green fields projects in urban corridors, with the acquisition of an additional 50.7ha in Baldivis.
- The Ellendale project is one of three broadacre development areas identified within the urban footprint in the South East Queensland Regional Plan. It will optimise disused rural land by providing residential housing supply that compliments an established residential area, capitalising on existing transport and service infrastructure.

Housing Diversity - promote equality of access to housing for all sectors of the community.

FY2016 Highlights and Achievements

- Cedar Woods commitment to providing affordable housing was highlighted through the Elements project which won the 2015 UDIA Russel Perry Excellence Award and Affordable Housing Excellence Award. Affordable Housing strategies have continued to be delivered at Carine Rise, Harrisdale and The Rivergums.
- Cedar Woods selection on Glenside, a strategic infill site just 3 kilometres from the Adelaide CBD, will include 1,000 medium to high density homes and includes 15% affordable housing.
- Cedar Woods selection as preferred proponent to purchase two precincts in Port Adelaide also includes the provision of 15% affordable housing.

Heritage - recognising Indigenous and cultural heritage.

FY2016 Highlights and Achievements

- Cedar Woods has continued to respect Indigenous and European cultural heritage at all of its project sites. Ethnographic and architectural research is undertaken for all projects to ensure that Indigenous and European heritage is identified and managed appropriately. Glenside contains four heritage buildings which will be adaptively reused for residential homes and/or services such as a café or childcare facility.

Stakeholder Engagement - maintain Cedar Woods' position as a competent and trustworthy company and joint venture partner and a valuable contributor to the property industry.

FY2016 Highlights and Achievements

- Engagement with our government stakeholders is guided by targeted relationship engagement and communication plans which are developed for each project and updated annually.
- Cedar Woods is a trusted joint venture partner with each of the Western Australian State land development agencies through the following projects: Carine Rise (LandCorp); Mangles Bay Marina (LandCorp); Harrisdale Green (Housing Authority); Elements, South Hedland (Dept of Lands) and Western Edge, South Hedland (LandCorp).
- Cedar Woods has maintained its membership with key industry associations, including the Urban Development Institute of Australia, Property Council Australia and Housing Institute Australia. Company staff participate on many industry committees.
- Project operations with industry consultants and contractors involve day to day communications and attendance at project and operational meetings. Consultant and contractor performance assessments are carried out bi-annually.
- Cedar Woods continues to acknowledge the importance of adopting a proactive approach to community engagement which often provides opportunities to mitigate and address community concerns. Active engagement strategies were undertaken for planning at Glenside, Ellendale, Bushmead and The Rivergums with the advancement of planning approvals.

Community Investment, Development and Integration - create vibrant communities by investing in their wellbeing, nurturing a strong 'sense of community' and maximising social connectivity.

FY2016 Highlights and Achievements

- Cedar Woods continued its sponsorship of the Perth International Arts Festival with an annual investment of $30,000. This sponsorship not only allows The Festival to deliver world-class performances to the people of Western Australia, it also provides Cedar Woods valuable opportunity to share the enriching experience of the various performances with investors, key stakeholders and amongst staff.
- The Cedar Woods Neighbourhood Cinema tradition also continued in FY2016. WA estates at The Brook at Byford / Byford on the Scarp, Piara Central, Harrisdale Green and The Rivergums enjoyed family and neighbours coming together. The movie events were well attended and feedback was very positive. They will continue across all major WA estates in FY2017.

- Cedar Woods is committed to creating vibrant sustainable urban communities. Part of this vision includes the support of new emerging and existing community groups. At the project level, Cedar Woods has continued its Community Grants program at Byford on the Scarp, The Brook at Byford, Piara Central, Harrisdale Green, The Rivergums and Williams Landing. Over $23,000 of grants were awarded in FY2016. The total contribution to date has benefitted over 100 community groups which provide local services.
- In an effort to foster a vibrant business community in the Wyndham region and Williams Landing, Cedar Woods is continuing its major sponsorship of the Wyndham Business Awards.
- Other local project based events extended across Ariella, The Brook at Byford, The Rivergums and Mariners Cove, with a community investment of over $70,000.

Occupational Health & Safety - providing a safe working environment for staff and stakeholders.

FY2016 Highlights and Achievements

- Early in FY2016 Cedar Woods adopted a new Work Health & Safety System (WHS) in order to prepare for the introduction of the Model Work Health and Safety Act as it is enacted across Australia to harmonise workplace Health and Safety law.
- Management and staff have undertaken extensive training on the new requirements and procedures that have been adopted. In addition consultants and contractors working for the company on construction projects have all been briefed on the new policy and the requirements that follow as they relate to contractors and consultants.
- Cedar Woods' contractors are required to prepare OH&S plans for construction projects prior to commencement of works which are audited by independent third party assessors. A further audit is carried during the construction works. Contractors are required to report to Cedar Woods on performance of WHS matters on a regular basis during the contracted works. Contractors are assessed on their performance on WHS matters as part of any future award of contracts.
- There has not been any WHS incidents of a significant nature on any Cedar Woods construction sites during FY2016.
- The WHS system is being further developed and enhanced to improve the management of construction sites by Cedar Woods contractors and consultants.

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 2016.

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

Valerie Anne Davies (appointed on 21 September 2015)

Paul Stephen Sadleir (Managing Director)

Timothy Robert Brown (Alternate for R S Brown)

The qualifications, experience and other details of the directors in office at the date of this report appear on page 24 of this report.

b) Principal activities

The principal continuing activities of the consolidated entity in the course of the year ended 30 June 2016 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:

	2016 $'000	2015 $'000
Final fully franked ordinary dividend for the year ended 30 June 2015 of 16.0 cents (2014 - 15.5 cents) per fully paid share, paid on 30 October 2015 (2014 – 31 October 2014)	12,622	12,142
Interim fully franked ordinary dividend for the year ended 30 June 2016 of 12 cents (2015 – 12.0 cents) per fully paid share, paid on 29 April 2016 (2015 – 30 April 2015)	9,467	9,248
	22,089	**21,390**

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of $13,017,127 (16.5 cents per share) to be paid on 28 October 2016 out of retained earnings at 30 June 2016.

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 8 of this annual report.

e) Business strategies and prospects for future financial years

The consolidated entity will continue property development operations in Western Australia, Victoria and Queensland and expects to commence property development operations in South Australia.

Subject to market conditions continuing at current levels, the group anticipates that it is well placed to maintain profit momentum into FY2017, with a similar profit result to that achieved in FY2016, underpinned by a significant bank of presales already in place at the date of this report.

Cedar Woods

f) Significant changes in the state of affairs

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

g) Matters subsequent to the end of the financial year

On 12 July 2016 Cedar Woods announced that the South Australian Government approved the conditional purchase of a 16.5ha site in Glenside, Adelaide for a price of $25.8m plus GST. The Glenside site is located 3 kilometres south east of Adelaide CBD and adjacent to over 700 hectares of parkland which surrounds the city. Settlement of the purchase will occur upon finalisation of the rezoning, which is expected to occur mid FY2017. The site will accommodate approximately 1000 dwellings.

The company was also selected as preferred developer by the State Government for a 12.6ha site at Port Adelaide (Port Adelaide). The site will accommodate about 500 homes with the majority being 2 to 3 storey townhouses. The State Government (Renewal SA) and Cedar Woods will work together over the next six months to develop a master plan in consultation with the community. The State Government will then determine whether to accept Cedar Woods' proposal.

Other than the above, no matters or circumstances have arisen since 30 June 2016 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

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-six 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 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-eight years.

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

Luiri Gold Limited.

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

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

Mr Packer is the lead independent director of the Board, bringing 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 ten 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
- Member of the Human Resources and Remuneration Committee
- Member of the Nominations Committee

Mr Pearce is currently the Chief Financial Officer and Executive Director of the Board of Fortescue Metals Group Limited and Non-executive Chairman of The Lions Eye Institute. He has 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 a Fellow of the Institute of Chartered Accountants, a Member of the Governance Institute of Australia and the Australian Institute of Company Directors. Mr Pearce has served as a director for 2 years.

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

Fortescue Metals Group Limited (effective from 21 June 2016).

Ms Valerie A Davies, FAICD

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

Ms Davies is an experienced company director and leading communications advisor to numerous Tier 1 companies. Via her own consultancy, One.2.One Communications Pty Ltd, she has worked for nearly two decades on issues management and presentation skills delivery with senior corporate leaders across the spectrum of business and industry, at all levels of government, as well as sport. She is a previous winner of the Telstra Business Woman of the Year (WA) Award. Concurrently, Ms Davies has over the past 20 years established herself as one of Western Australia's leading non-executive directors. She serves on the boards of major entertainment, hospitality and leisure operator Event Hospitality & Entertainment Ltd as well as the HBF Health Fund and Tourism Western Australia. Previous non-executive director roles include global mineral sands resources company, Iluka Resources Limited and labour hire firm Integrated Group (now Programmed Maintenance Services). She has also held positions on the boards of government trading enterprises such as Tourism Australia, Gold Corporation and the TAB (WA), as well as Screenwest and Fremantle Hospital & Health Service. Beyond Ms Davies' day to day work, she has contributed to peak business groups such as the Australian Institute of Company Directors (AICD), where she was a Councillor and co-Vice President of the WA branch. Ms Davies is a non-executive, independent Director. Ms Davies was appointed on 21 September 2015.

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

Event Hospitality & Entertainment Ltd.

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

- Managing Director, executive director

Mr Sadleir has extensive experience in the property sector including strategic planning, portfolio management, acquisition analysis, equity and finance raising and investor relations management. Mr Sadleir holds Masters of Business Administration and Bachelor of Engineering degrees from the University of Western Australia. Prior to joining Cedar Woods, he was manager of the Bunnings Warehouse Property Trust and previously held roles with Wesfarmers Limited, Western

Power and Barrack Mines. He is currently a Board member of the Brightwater Care Group, one of the largest providers of residential aged care in Western Australia, a Division Councillor at the WA Division of the Australian Institute of Company Directors and a Senate member of Murdoch University. Mr Sadleir has served as a director for thirteen years.

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

None.

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

- Alternate director for Mr Robert S Brown

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

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

None.

Company Secretary

The Company Secretary is Mr Paul S Freedman, BSc, CA, GAICD. Mr Freedman was appointed to the position in 1998. He is a member of the Institute of Chartered Accountants in Australia and is a member of the Australian Institute of Company Directors. He brings to the company a background of over 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	10,064,952
Robert S Brown*	7,982,584
Ronald Packer	167,859
Stephen T Pearce	20,000
Valerie A Davies	15,000
Paul S Sadleir	1,057,445
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)
V A Davies	R S Brown	R S Brown
S T Pearce	S T Pearce	S T Pearce

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 2016, and the numbers of meetings attended by each director:

	Board Meetings	Meetings of Committees		
		Audit and Risk Management	Human Resources and Remuneration	Nominations
Number of meetings held:	10	4	4	3
W G Hames	9	*	*	*
R S Brown	10	3	4	3
R Packer	10	4	4	3
S T Pearce	10	4	3	3
V A Davies	† 7	† 1	*	*
P S Sadleir	10	*	*	*
T Brown (alternate director)	-	-	-	-

* Not a member of this committee.

† V A Davies was appointed to the Board on 21 September 2015 and has attended 7 of the 8 Board meetings held after this date. V A Davies was appointed to the Audit and Risk Management Committee on 1 December 2015 and has attended all meetings held after this date.

R S Brown was a member of the Audit and Risk Management Committee until 1 December 2015.

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Directors' Report:
Chairman of the Human Resources and Remuneration Committee's Letter to Shareholders

Dear Shareholders,

I am pleased to provide this letter setting out the key highlights in relation to remuneration matters for FY2016. As outlined in the Financial & Operating Review, Cedar Woods had another successful year, reporting a record profit and achievements across the various areas within the company's operations, as described in our "balanced scorecard" in section r) of this report. The balanced scorecard provides the company's FY2016 objectives and performance against targets as assessed by the Board.

In my letter last year, I noted shareholders and proxy advisory groups had sought greater transparency and enhanced structures around the short and long term incentive arrangements for executives. The Board then engaged Ernst & Young (EY) to provide advice as outlined in the table below.

Review of the executive remuneration framework	Last year the company engaged EY to provide advice on Cedar Woods' executive remuneration framework with the objective of improving the link between shareholder returns and executive remuneration as well as a closer alignment of remuneration with the Corporate strategy. Aspects of the new executive remuneration framework applied from 1 July 2015 including transitioning to a greater emphasis on variable pay with the introduction of a new long-term incentive program (as outlined below).
Fixed remuneration	The company identified where adjustments were appropriate, based on market benchmarking information. For FY2016 the Managing Director's (MD's) fixed remuneration remained unchanged and other executives' fixed remuneration increases were between 2% & 3%, reflecting sustained high performance of the individuals and alignment with market remuneration levels in both listed and non-listed property companies.
Short-term incentives ("STIs")	To ensure the STI's were appropriately aligned to the Corporate plan, the company continued with its balanced scorecard of measures for determining the STI awards for FY2016.
Long-term incentives ("LTIs")	Consistent with the intention stated in the FY2014 Remuneration Report, the former LTI plan has been reviewed and replaced by a new LTI plan effective from 1 July 2015 for FY2016 and which will continue in FY2017. The new LTI plan has two vesting conditions a) a 3 year service condition and b) two performance conditions measured over a 3 year period: 50 percent of the LTI grant will be tested against a relative total shareholder return ("TSR") hurdle (measured against the S&P / ASX Small Industrials Index) and 50 per cent against earnings per share ("EPS") growth targets, set in the context of the Corporate plan. The relative TSR performance condition was chosen as it offers a relevant indicator of measuring changes in shareholder value by comparing the company's return to shareholders against the returns of companies of a similar size and investment profile. The EPS performance condition was chosen as it is a primary determinant of shareholder value in a listed company context.
NED fees	The potential maximum aggregate Non Executive Director remuneration for FY2016 was $750,000, as approved by shareholders at the company's FY2014 AGM. Chair and NED fees were increased by 2% effective 1 July 2015 to maintain market competitiveness. Total NED fees paid for FY2016 were $544,502.

Clawback policy	The company implemented an incentive clawback policy for executives and other staff that applies for FY2015 onwards. Under the policy, the Board may at its absolute discretion claw back vested and unvested incentives in the case where an "inappropriate benefit" has arisen, as may be the case in a material mis-statement of financial results.

The Remuneration Report provides information on Non Executive Directors and executives and the remuneration outcomes for FY2016.

It was pleasing to note that shareholders voted overwhelmingly in favour of the FY2015 Remuneration Report at the 2015 Annual General Meeting, with 97.7 per cent of votes in favour. I look forward to answering any questions you may have at our 2016 Annual General Meeting in November.

Yours faithfully,

Ronald Packer
Chairman of the Human Resources and Remuneration Committee

Cedar Woods

Directors' Report:
Remuneration Report

The directors present Cedar Woods Properties Limited's FY2016 Remuneration Report which sets out remuneration information for the directors and other key management personnel ("KMP") for the year ended 30 June 2016.

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

The Remuneration Report is presented under the following sections:

o) Introduction

The Remuneration Report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company, directly or indirectly.

The table below outlines the KMP of the company during the financial year ended 30 June 2016. Unless otherwise indicated, the individuals were KMP for the entire financial year. For the purposes of this report, the term "executive" includes the executive director and senior executives of the company.

KMP	Position	Term as KMP
Non-Executive directors ("NEDs")		
W G Hames	Non-Executive Chair	Full year
R S Brown	Non-Executive Deputy Chair	Full year
R Packer	Lead Independent Non-Executive Director	Full year
S T Pearce	Independent Non-Executive Director	Full year
V A Davies	Independent Non-Executive Director (appointed to the board on 21 September 2015)	Part year
Executive directors		
P S Sadleir	Managing Director ("MD")	Full year
Senior executives		
N Blackburne	State Manager - Victoria and Queensland	Full year
P Freedman	Chief Financial Officer ("CFO") and Company Secretary	Full year
B Rosser	State Manager - Western Australia (commenced employment with the company on 20 July 2015)	Part year

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

p) Remuneration governance

Role of the Human Resources and Remuneration Committee

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

- the over-arching executive remuneration framework,
- NED fees,
- operation of incentive plans and key performance hurdles for the executive team, and
- remuneration levels of the MD and other executives.

The Human Resources and Remuneration Committee's objective is to ensure 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 NED fees and executive remuneration packages are appropriate and in line with the market, please refer to the Use of *remuneration advisors* section below.

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

Use of remuneration advisors

In FY2015 the Human Resources and Remuneration Committee appointed EY as its external remuneration advisor to assist with the review of the overall executive remuneration framework.

EY's terms of engagement include specific measures designed to protect its independence. The Human Resources and Remuneration Committee recognises that, to effectively perform its role, it is necessary for EY to interact with members of Cedar Woods' management. However, to ensure EY remains independent, members of Cedar Woods' management are precluded from requesting services that would be considered to be a 'remuneration recommendation' as defined by the *Corporations Amendment (improving Accountability on Director and Executive Remuneration) Act 2011*.

During the year ended 30 June 2016, EY provided the Human Resources and Remuneration Committee with:

- guidance in the review and design of the executive remuneration framework; and
- assistance in drafting of remuneration report disclosures.

No remuneration recommendations were provided by EY or any other advisor during the reporting period.

Clawback of remuneration

For FY2015 and subsequent years, vested and unvested STI's & LTI's are subject to potential clawback based on the Board's judgment.

The Board may exercise its judgment in relation to STI or LTI outcomes:

STI at the end of the financial year when assessing performance against scorecard objectives to determine the STI payments, when determining if there are any matters impacting the initial performance assessment.

LTI at any time prior to, or at, the final vesting date of the performance rights and will take account of factors such as any material misstatements of financial results or individual instances of non-compliance with Cedar Woods' policies.

The clawback policy also provides that the Board can recover an STI or LTI award previously paid to an employee.

Remuneration Report approval at FY2015 Annual General Meeting ("AGM")

At the company's 2015 AGM, 97.7 per cent of eligible votes cast were in favour of the Remuneration Report for FY2015. The company received one question at the AGM when the resolution concerning the Remuneration Report was considered by shareholders. The question related to the weightings applied to components of the company's business model for assessing executive responsibilities and the structuring of the STI and LTI components of the remuneration framework. Cognisant of these comments the Board has reviewed and changed some of the weightings applied to the components of the company's business model in the table on page 34 and will consider the other comments on structuring going forward.

Cedar Woods

q) Executive remuneration policy and framework

The information contained within this section outlines the details pertaining to the executive remuneration policy and framework for FY2016. As noted, following a review of the executive remuneration program last year, changes have been initiated and applied from 1 July 2015. Where relevant, these changes have been highlighted.

i. Principles and strategy

Company objective

To create long-term value for shareholders through the disciplined acquisition, development and marketing of properties

Remuneration strategy linkages to company objective

The Board of directors ensures our approach to executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Alignment of executive remuneration to company performance
- Transparency of the link between performance and reward

Attract, motivate and retain high performing individuals:

- The remuneration offering rewards capability and experience
- Reflects competitive reward for contribution to growth in shareholder wealth

The framework is aligned to shareholders' interests by having:

- STIs linked to current year performance and subject to clawback
- From 1 July 2015 - LTIs linked to both long term external (relative total shareholder return ("TSR")) and internal (earnings per share ("EPS") growth) performance. Unvested LTIs also subject to clawback

	Component	Vehicle	Purpose	Link to performance
Total remuneration ("TR")	Fixed remuneration	Comprises base salary, superannuation and non-monetary benefits	To provide competitive fixed remuneration set with reference to role, market and skills and experience of individuals	Group and individual performance are considered during the annual remuneration review process No guaranteed fixed remuneration increases included in executives' contracts
	STIs	Paid in cash	Rewards executives for their contribution to achievement of company outcomes	Linked to the Corporate Plan and achievement of personal objectives established at the start of the year
	LTIs	From 1 July 2015 – new equity based LTI grants awarded in Performance Rights	Rewards executives for their contribution to the creation of shareholder value over the longer term	From 1 July 2015 - Vesting of new grants is dependent on TSR performance relative to S&P / ASX Small Industrials Index and annual compound growth rate in EPS, both over a three year period

Performance related outcomes are determined each year following the audit of the annual results. Outcomes may be adjusted up or down in line with over and under achievement against the target performance levels, at the discretion of the Board (based on a recommendation from the Human Resources and Remuneration Committee).

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

ii. Approach to setting remuneration

In FY2016, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below.

The company aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the organisation and aligned with market practice.

The company's approach is generally to position Total Remuneration between the median and upper quartile of our direct industry peers, both listed and unlisted, and other Australian listed companies of a similar size and complexity. Based on performance and experience, individuals have the potential to move from median to upper quartile over a period of time.

Remuneration levels are reviewed annually through a process that considers market data, insights into remuneration trends, the performance of the company and the individual, and the broader economic environment.

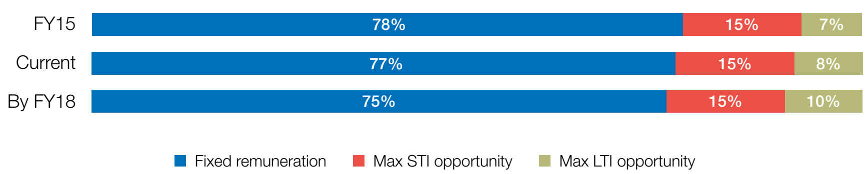
The "at risk" components (STI's and LTI's) ensure a proportion of remuneration varies with performance of both the individual and the company. The 2015 review of executive remuneration identified a need for a greater weighting of "at risk" components within the total remuneration opportunity (remuneration mix) particularly for the MD and a need for an equity based LTI plan. The Board intends continuing the transitioning to the new remuneration mix over the next two financial years, noting some variations may occur during this time due to influencing factors such as changing market conditions. In making this transition, the Board wishes to keep total remuneration increases at modest levels, with the majority of increases directed into LTI's.

The graph below illustrates the current (FY2016) and anticipated remuneration mix by FY2018.

Managing Director - remuneration mix

State Managers - remuneration mix

CFO and Company Secretary – remuneration mix



STI and LTI are based on the maximum opportunity when remuneration levels are determined by the HR&R committee.

Cedar Woods

iii. Details of incentive plans

Short-term incentives (STI)

Who participates?	Executives
How is the STI delivered?	Cash
What is the STI opportunity?	Each executive has a target STI opportunity depending on the accountabilities of the role and impact on organisational performance. The company seeks to deliver steady annual growth and accordingly the maximum STI opportunity is the target opportunity. The maximum STI opportunity for KMP's is detailed in section r) Executive remuneration outcomes.
What are the performance conditions for FY2016?	Actual STI payments to each executive depend on the extent to which specific targets set at the beginning of the financial year are met with regard to both company and individual performance criteria. The weightings that applied in FY2016 to components of the company's business model are set out in the table below:

	Weighting (%)		
	MD	**State Managers**	**CFO and Company Secretary**
Business development	15%	15%	15%
Developments	20%	20%	0%
Sales and customer experience	20%	20%	5%
Financial performance and risk management	20%	15%	40%
People and culture	10%	20%	20%
Shareholder engagement and satisfaction	10%	5%	20%
Sustainability	5%	5%	0%

Refer to section r) Executive remuneration outcomes for further details of performance outcomes for FY2016, and STI awards to KMP.

The categories of "Developments" and "Sales and customer experience" involve close monitoring of revenues and financial expenditure and together with "Financial performance and risk management" provide a significant weighting to overall financial performance.

How is performance assessed?	On an annual basis, after consideration of performance against set balanced scorecard objectives, the Chairman and Chair of the Human Resource and Remuneration Committee recommends to the Board the amount of STI to be paid to the MD. For senior executives, the Human Resource and Remuneration Committee will seek recommendations from the MD before making its determination. The Human Resources and Remuneration Committee has the discretion to determine STI outcomes in the light of personal and company performance.
What happens if an Executive leaves Cedar Woods?	Executives who leave prior to the end of the financial year generally forego their entitlement. The Human Resources and Remuneration Committee has discretion in this regard.

Long-term incentives (LTI)

FY2015 LTI plan

The company operated a long term incentive plan, which first commenced in FY2012 with the final grants made in FY2015. The incentive was 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 company for the remaining two years. The FY2015 LTI awards were based on the same criteria used for FY2015 STI awards, with KMP amounts detailed in section r) Executive remuneration outcomes.

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

In FY2015 a total of $447,000 was awarded under the incentive plan for participants, which will vest on 1 July 2017. The total awarded under the plan in previous years which has vested on 1 July 2016 is $260,750.

New LTI plan effective 1 July 2015

The company has introduced a new LTI plan, effective 1 July 2015. Key features of the new LTI plan are as follows:

Why have a new LTI plan?	To encourage a greater alignment of the interests of executives and shareholders, focus on sustainable long term growth and attract and retain key executives.
Who participates?	Executives and key staff. NEDs are not eligible to participate in the LTI plan.
What LTI's are available?	Each executive has a maximum LTI opportunity depending on the accountabilities of the role and impact on organisational performance. It is intended for annual grants to be made under the plan and over time for these to become a larger proportion of total remuneration, so as to keep total remuneration in check. The maximum LTI for each KMP is detailed in section r) Executive remuneration outcomes.
How is the LTI delivered?	Awards under the LTI plan are made in the form of performance rights, which provide, when vested, one share at nil cost (provided the specified performance hurdle is met). No dividends are paid on unvested LTI awards. A new share will be issued for each vested performance right.
How are the number of rights determined for each LTI grant?	The number of performance rights allocated for each executive is calculated by reference to the maximum LTI opportunity outlined in the prior section. Allocations are made based on a face value approach using the Volume Weighted Average Price of Cedar Woods' shares over the first five trading days of the 2016 financial year. This fixes the maximum number of shares and the actual number will vest in accordance with the performance conditions set out below.
When does the LTI vest?	The Board will determine the outcomes at the end of the three year performance period (1 July 2015 to 31 August 2018), with vesting, if any, occurring once results are released and within a trading window. Once vested, there are no restrictions on trading the shares, subject to the company's Securities Trading Policy.
What happens if an Executive leaves Cedar Woods?	If cessation of employment occurs, the following treatment will apply in respect of unvested Shares: • If the Participant ceases employment with Cedar Woods on resignation or on termination for cause, unvested Rights will normally be forfeited. • If the Participant ceases employment in other circumstances (for example, due to illness, total or permanent disablement, retirement, redundancy or other circumstances determined by the Board), unvested Shares will stay 'on foot' and may vest at the end of the original performance period to the extent performance conditions are met. The Board may determine in its discretion that the number of Rights available to vest will be reduced pro-rata for time at the date employment ceases. The Board will retain discretion to allow for accelerated vesting (pro-rated for performance and/or time) in special circumstances (as opposed to allowing unvested Shares to remain 'on foot' on cessation of employment).
What happens in the event of change of control	Unless the Board determines otherwise, a pro-rata number of the participant's unvested awards will vest based on the proportion of the performance period that has passed at the time of the change of control. Vesting will also be subject to the achievement of pro-rata performance conditions at the time of the change of control.
Do participants receive dividends on LTI grants?	Not prior to any vesting.
Is performance retested if performance hurdles are not exceeded?	No, there are no further retests of the performance conditions.

Do clawback provisions apply to LTI's?	The company has an incentive claw back policy in place for executives and other staff. Under the policy, the Board may at its absolute discretion claw back vested and unvested incentives in the case of an "inappropriate benefit" arising.
How is performance assessed and rewarded against these hurdles?	The awards are subject to two equally weighted performance conditions which operate independently, so that awards can be made under either or both categories. **Relative TSR hurdle (50%):** The relative TSR hurdle provides a comparison of external performance. The ASX Small Industrials Index is comprised of the companies included in the S&P/ASX 300 (excluding companies in the S&P/ASX 100) who have a Global Industry Classification Standard (GICS) classification other than Energy or Metals & Mining, with Cedar Woods ranked approximately 130th of 168 companies in this index at present. TSR (Total Shareholder Return) measures changes to share price and dividends paid to show the total return and is widely used in the investment community. Executives will only derive value from this component of the LTI if the company's TSR performance is greater than the Index. Maximum vesting of the TSR hurdle at or above 15% of the Index recognises significant out-performance of the company over 3 years. The vesting schedule is as follows:

Relative TSR performance outcome	Percentage of TSR-tested rights vesting
< Index	Nil
At the Index	50%
> Index and up to 15% above the Index	Pro-rata between 50% and 100%
> = 15% above the Index	100%

EPS compound annual growth rate (50%): EPS is a method of calculating the performance of an organisation, capturing information regarding an organisation's earnings in proportion to the total number of shares issued by the organisation. The EPS calculation is:

$$EPS = \frac{\text{Statutory net profit after tax}}{\text{Weighted number of shares on issue}}$$

Where:

Statutory net profit after tax:	as reported by a company at the most recent financial-year end preceding the calculation date.
Weighted number of shares on issue:	The weighted number of shares on issue for the financial year.

The relevant inputs when setting the EPS target range are generally:

- The earnings and EPS targets contained in the Corporate plan, particularly with reference to the most recent internal five year forecasts;
- The level of stretch associated with those business plan targets;
- Any earnings guidance that has been provided to the market;
- Shareholder and analyst (individual and consensus) expectations.

The vesting schedule for this component of the LTI is as follows:

EPS compound annual growth rate	Percentage of EPS-tested rights vesting
<5%	Nil
5%	50%
Between 5% - 10%	Pro-rata between 50% and 100%
> = 10%	100%

r) Executive remuneration outcomes for FY2016 (including link to performance)

Performance against STI balanced scorecard objectives

The table below outlines FY2016 STI objectives and performance against target outcomes as assessed by the Board. This performance measurement framework provides a close alignment to the company's overriding objective of providing long term value to shareholders and links to our business model as described on page 7.

Objective	Measures	Outcomes	Performance assessment
Business development			
To build and replenish the portfolio by acquiring quality assets	Undertake due diligence investigations for new acquisitions consistent with approved checklist and reporting measures in a thorough and disciplined manner	Detailed assessment of numerous properties in VIC and QLD and to a lesser extent WA and SA. The acquisitions environment continues to be highly competitive in VIC but less so in other states.	Achieved
	Acquire 1-2 new complementary projects each year, consistent with the corporate growth strategy	Four projects were secured - Wooloowin, QLD and North Baldivis, WA Glenside SA ('preferred' status), Port Adelaide SA ('preferred' status)	Achieved
Pursue joint venture opportunities	Respond to existing joint venture partners with professionalism, transparency and quality outcomes	Existing joint ventures (or development agreements) in WA with LandCorp (Mangles Bay & Western Edge) and Dept. of Housing (Harrisdale)	Achieved
	Seek new joint venture opportunities to add to project diversity and corporate reputation	No new joint ventures initiated but opportunities continue to be evaluated on various projects	Not achieved
Residential and commercial building	Establish strategic alliances to add value, product diversity and profitability	Builder alliances operating in both WA and VIC across a number of estates	Achieved
Developments			
Maximise value, minimize risk with project delivery on time and on budget	Timely approvals achieved	Approvals generally received in line with programs for mature projects but delays experienced with approvals for the Jackson Green & St Albans projects. Servicing delays have occurred on a small number of projects.	Partly achieved
	Enhanced value of sites	Approvals generally received in line with highest and best use applications. At the Ellendale project approval was received for residential use over one third of the site with the application on the remaining part of the land ongoing.	Achieved
	Monthly reporting of actual vs budget development costs and program	Costs generally kept well within budget. Delayed expenditure at several projects was a result of project approvals behind schedule.	Partially achieved
Create quality communities which embrace innovation and sustainable development	Compliance with Corporate Sustainability Policy Innovation and quality in projects	Good environmental initiatives achieved across the projects. The 2015 Russel Perry Award for Urban Development Excellence was presented by the Urban Development Institute of Australia to Cedar Woods for the Elements Estate in Western Australia. This is the most prestigious recognition that is awarded by UDIA in Western Australia.	Achieved

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Objective	Measures	Outcomes	Performance assessment
Sales and customer experience			
Position projects to meet market and customer demand	Settlements	Settlements achieved to meet company forecast	Achieved
	Sales	Budgeted sales not achieved, primarily due to weakness in WA market	Not achieved
	Enquiry & conversion rates	Enquiry achieved target in VIC and QLD but not in WA. Enquiry conversion was satisfactory	Partially achieved
	Budget expenditure	Expenditure was controlled and lower than budget due to delays in launching new projects	Partially achieved
	Pricing	Pricing generally at budget levels in Victoria but marginally below budget in WA	Partially achieved
	Customer satisfaction	Good levels of referral and low incidence of complaints	Achieved
Financial performance and risk management			
Continued growth in a risk controlled manner	Growth in NPAT and EPS	NPAT up 2.4% and EPS up 1.8%, below EPS target	Not achieved
	Satisfactory ROE and ROC	ROE 14.2% and ROC 18.3%, both above company benchmarks	Achieved
	Conservative gearing (debt/equity)	Gearing 16.4%, below target range but conservative	Achieved
	Capital management	Maintained capital availability on satisfactory terms to remain well positioned for potential acquisitions	Achieved
	Risk management framework in place	Risks identified and mitigated	Achieved
People and culture			
Attract, motivate and retain staff	Be a preferred employer	Experienced and qualified staff were attracted to the business Progressive HR policies were introduced: - Employee referral policy, - Employee service recognition policy	Partly Achieved
	Succession planning & leadership training	A number of staff received promotions during the year. Leadership programs were undertaken by selected managers and are programmed for other staff. An executive manager undertook the Advanced Management Course at Harvard University.	Achieved
	Staff productivity	Cost levels were consistent with the budget and corporate plan. Performance management was undertaken.	Achieved
	Staff development	Numerous group and individual training programs undertaken including management and leadership courses, on the job training and attendance of industry events.	Achieved

Objective	Measures	Outcomes	Performance assessment
Shareholder engagement and satisfaction			
Shareholders support the company	Participation in share issues	No share issues and dividend reinvestment plan and bonus share plans suspended	N/A
	Company investor relations program	Positive feedback including from survey of institutional investors and brokers	Achieved
	Total shareholder return (TSR)	TSR for 1 and 3 years unsatisfactory. Five year return satisfactory (CWP 9.5% - compared to Small industrials index 9.2%)	Partially achieved
	Support for board resolutions	Board resolutions supported by shareholders at 2015 AGM	Achieved
	Proxy advisors support board resolutions	Proxy advisor firms supported all resolutions at 2015 AGM	Achieved
Sustainability			
Environment & Climate Change; Optimising Land Use; Housing Diversity & Affordability; Heritage; Stakeholder Engagement; Community Investment, Development & Integration	Enhance and rehabilitate environmental assets and rehabilitate contamination as an integral part of project delivery	Environmental assessment and statutory approvals achieved (Commonwealth, State and Local) across all projects	Achieved
	Promote total water cycle management and efficient water use	Urban water management strategies and plans prepared and at various stages of implementation across all projects	Achieved
	Promote energy efficiency and use of renewables	Sustainable Living Guide applied to new Perth Projects. Solar panel rebates offered at Harrisdale	Achieved
	Deliver the best use of land by optimising land use mix and densities in the context of high quality urban places that deliver safe and healthy lifestyles	All projects addressing statutory land use and housing density targets	Achieved
	Promote equality of access to housing for all sectors of the community through diversity of product and embracing opportunities to assist those disadvantaged by the market	Housing diversity initiatives continue. Specific affordable housing strategies implemented across all Perth projects. Cedar Woods won the 2015 UDIA WA Affordable Housing excellence award.	Achieved
	Recognising indigenous and cultural heritage	Heritage assessments undertaken throughout for all projects. Heritage values recognised through project themes and street names.	Achieved
	Engage with key stakeholders throughout project delivery	For all projects, key stakeholders are identified during project planning, leading to the preparation of Communication Strategies to guide effective engagement throughout project delivery	Achieved
	Create vibrant communities by investing in their wellbeing, nurturing a strong 'sense of community' and maximizing social connectivity	Preparation and implementation of sponsorship strategies at both corporate and project levels. Successful implementation of the project Fun Days and Movie Nights and neighbourhood grants program	Achieved

The following table outlines the proportion of maximum STI earned and forfeited in relation to FY2016 and the maximum STI that was available.

	Proportion of maximum STI earned in FY2016				Proportion of maximum STI forfeited in FY2016			
	MD	State Manager VIC & QLD	State Manager WA	CFO and Company Secretary	MD	State Manager VIC & QLD	State Manager WA	CFO and Company Secretary
Total %	82%	80%	73%	82%	18%	20%	27%	18%
Total $	$328,000	$88,000	$54,750	$57,400	$72,000	$22,000	$20,250	$12,600
Max STI opportunity	$400,000	$110,000	$75,000	$70,000				

Performance against LTI objectives

The company introduced a new equity based LTI scheme in FY2016. The plan has two vesting conditions a) a 3 year service condition and b) two performance conditions measured over a 3 year period: 50 percent of the LTI grant will be tested against a relative total shareholder return ("TSR") hurdle (measured against the S&P / ASX Small Industrials Index) and 50 per cent against earnings per share ("EPS") growth compared with the Corporate plan targets.

The relative TSR performance condition was chosen as it offers a relevant indicator of measuring changes in shareholder value by comparing the company's return to shareholders against the returns of companies of a similar size and investment profile.

The EPS performance condition was chosen as it is a primary determinant of shareholder value in a listed company context.

The following table outlines the proportion of maximum LTI that were granted to KMP during FY2016.

	LTI awards in FY2016			
	MD	State Manager VIC & QLD	CFO and Company Secretary	State Manager WA
Value granted (max LTI opportunity)	$100,000	$80,000	$40,000	$50,000

The LTI awards earned vest on 31 August 2018 subject to the two vesting conditions.

Terms and conditions of the share-based payment arrangements

The terms and conditions of each grant of rights affecting remuneration in the current or a future reporting period are as follows:

Incentive Plan	Grant date	Performance period	Vesting date	Value at start of performance period	Performance hurdle	Value per share right at grant date	Performance achieved	% Vested
FY2016 – Award 1 (Employees)	28/08/2015	1/7/15 to 30/6/18	31/08/2018	$5.33	EPS Growth Relative TSR	$4.12 $2.04	to be determined	n/a
FY2016 – Award 2 (MD)	9/11/2015	1/7/15 to 30/6/18	31/08/2018	$5.33	EPS Growth Relative TSR	$3.43 $0.96	to be determined	n/a

The number of share rights granted to key management personnel under the LTI scheme during FY2016 is shown in the table below. Rights granted will only vest upon satisfaction of the Performance Conditions which are measured over the Performance Period. The number of rights granted has been determined by dividing the FY2016 LTI grant opportunity by the market value of shares at the beginning of the performance period, which is the volume weighted average price of the company's shares over the first five trading days in FY2016 ($5.33). The market value of the shares is not discounted.

Upon vesting, each right is convertible into one fully paid ordinary share in the company. The executives do not receive any dividends in relation to the rights during the vesting period. If an executive ceases employment before the rights vest, the rights will normally be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

The fair value of the rights has been determined using the amount of the grant date fair value.

Reconciliation of share rights held by KMP

The following table shows how many share rights were granted, vested and forfeited during the year for KMP.

Name & grant dates	Balance at start of year Number	Granted during year Number	Vested Number	Vested %	Forfeited Number	Forfeited %	Balance at end of year (unvested) Number	Maximum value yet to vest *
Executive director								
P S Sadleir 9 Nov 2015	-	18,762	-	-	-	-	18,762	$41,182
Senior executives								
N Blackburne 28 Aug 2015	-	15,009	-	-	-	-	15,009	$46,228
P Freedman 28 Aug 2015	-	7,505	-	-	-	-	7,505	$23,115
B Rosser 28 Aug 2015	-	9,381	-	-	-	-	9,381	$28,893

* The LTI awards earned vest on 31 August 2018 subject to the two vesting conditions. The maximum value of the deferred shares yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed.

Performance of shareholder return metrics

In FY2016, the company delivered a record profit of $43.6 million, an increase of 2.4 per cent. This was the sixth consecutive record profit for the company.

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

Returns to shareholders over 1, 3 and 5 years (%)	1 year	3 years	5 years
EPS growth	1.8	3.5	3.8
Share price growth	(17.3)	(5.6)	1.7
Dividend growth (paid dividend)	1.8	3.8	8.1
CWP TSR (change in share price and dividends)	(9.6)	1.0	9.5
S&P Small Industrials Index (XSIAI)	12.8	11.5	9.2

The total shareholder return in FY2016 was -9.6 per cent which compared unfavourably with the S&P Small Industrials Index total return of 12.8 per cent over the same period. However, the returns over 5 years compare favourably to the returns of the S&P Small Industrials Index. Management is focussed on delivering consistent earnings per share and dividend growth. The company's share price is subject to market factors that are beyond the company's control.

The measures of the company's financial performance over the last five years as required by the *Corporations Act 2001* are shown in the table below. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration awarded to KMP, the basis for which is outlined above. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2016	2015	2014	2013	2012
Profit for the year ($'000)	43,602	42,585	40,313	36,337	34,250
Basic earnings per share (cents)	55.3	54.3	54.4	49.9	53.2
Dividends per share (cents)	28.5	28.0	27.5	26.0	25.0
Increase (decrease) in share price (%)	(17.3)	(28.0)	41.4	45.2	(11.0)

Executive remuneration for the years ended 30 June 2016 and 30 June 2015

Details of the remuneration of each executive of Cedar Woods Properties Limited is set out below.

		Short-term benefits			Post Employ-ment	Long-term benefits					
Name	**Financial year**	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Cash bonus $**	**Share based payment # $**	**Long-service leave $**	**Termination Benefit $**	**Total $**	**Perfor-mance related %**
Executive director											
P S Sadleir	**2016**	**762,383**	**328,000**	**9,434**	**33,699**	**-**	**9,423**	**13,375**	**-**	**1,156,314**	**29%**
	2015	765,393	387,000	7,990	33,699	21,500	-	13,338	-	1,228,920	33%
Senior executives											
N Blackburne	**2016**	**390,692**	**88,000**	**8,411**	**19,308**	**-**	**12,944**	**9,074**	**-**	**528,429**	**19%**
	2015	381,217	95,700	7,972	18,783	60,900	-	9,362	-	573,934	27%
P Freedman	**2016**	**341,000**	**57,400**	**1,075**	**35,000**	**-**	**6,472**	**9,410**	**-**	**450,357**	**14%**
	2015	330,000	57,850	1,112	35,000	35,600	-	11,432	-	470,994	20%
B Rosser *	**2016**	**255,727**	**54,750**	**-**	**19,273**	**-**	**8,090**	**495**	**-**	**338,335**	**19%**
S Duplock	2015	33,353	-	1,085	5,833	-	-	-	124,500	164,771	-
Total	**2016**	**1,749,802**	**528,150**	**18,920**	**107,280**	**-**	**36,929**	**32,354**	**-**	**2,473,435**	
	2015	1,509,963	540,550	18,159	93,315	118,000	-	34,132	124,500	2,438,619	

* The company appointed Ben Rosser as the Western Australian State Manager on 20 July 2015. Stuart Duplock ceased employment with the company on 14 August 2014.

Equity-settled share-based payments relate to the component of the fair value of awards from the 2016 LTI scheme attributable to the year measured in accordance with AASB 2 Share Based Payments. No awards vested in FY2016.

When determining the remuneration mix for executives, the human resources & remuneration committee used the maximum STI and LTI opportunities contained in the tables on page 40, which differ from the amounts calculated in the table above.

s) Executives contracts

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of these agreements.

Details of renegotiated executive service contract for the Managing Director

The Managing Director, Mr Sadleir is employed under an ongoing contract.

Mr Sadleir's total remuneration package for FY2016 was as follows:

- Fixed remuneration of $800,000 per annum
- Maximum STI opportunity of 32% of total remuneration
- Maximum LTI opportunity of 8% of total remuneration.

Service agreements

Remuneration and other terms of employment for the executives are formalised in employment agreements. The agreements for the executives provide for performance related cash bonuses and other benefits. The agreements are reviewed annually by the Human Resources and Remuneration Committee for each KMP and details are as follows:

	Contract term	**Notice required to terminate contract**	**Termination benefit***
Executive director P S Sadleir	No fixed term	12 months	See below**
Other senior executives	No fixed term	Up to 3 months	Up to 3 months base salary

*For treatment of STI and LTI awards upon cessation of employment please refer to iii. *Details of incentive plans* section of the Directors Report.

**As well as allowing for participation (subject to shareholder approval) in the LTI Plan, Mr Sadleir's contract has been varied such that on termination by the company on ordinary notice or if he resigns following a material variation/ diminution in his role, responsibilities or status he will be entitled to be paid the maximum amount permitted under section 200G of the Corporations Act. Taking into account Mr. Sadleir's period of service, the maximum payment under the Act would be the average annual base salary that Mr. Sadleir received from the company and related bodies corporate during the previous 3 years.

t) Non-Executive Director (NED) fee arrangements

Determination of fees and maximum aggregate NED fee pool

On appointment to the Board, all NEDs enter into a service agreement with the company in the form of a letter of appointment. The letter details the terms, including fees, relevant to the office of the NED. Fees and payments to NEDs reflect the demands which are made on, and the responsibilities of the NEDs.

NEDs' receive an additional fee for chairing committees (no additional fees are paid for committee membership). No additional fees are paid for memberships of directors on subsidiary Boards. NEDs' fees and payments are reviewed from time to time by the Board, taking into account comparable roles and market data. NEDs do not receive performance based remuneration.

Remuneration of NEDs is determined by the Board, after receiving recommendations from the Human Resources and Remuneration Committee, within the maximum aggregate amount approved by the shareholders from time to time (currently set at $750,000). The total of NED fees paid in FY2016 was $544,502.The Board will not seek any increase for the NED maximum aggregate fee pool at the FY2016 AGM.

Fee policy

NEDs' annual fees were last reviewed from FY2016 (effective date: 1 July 2015).

The annual fees (inclusive of superannuation) for FY2015 and FY2016 are set out in the table below:

	FY2016 $	FY2015 $
Chair	154,734	151,700
Deputy Chair	119,187	116,850
Other NEDs	83,640	82,000
Committee Chair	12,546	12,300
Committee member	Nil	Nil

The table below outlines fees paid to NEDs for FY2016 and FY2015 in accordance with statutory rules and applicable accounting standards.

NED remuneration for the years ended 30 June 2016 and 30 June 2015

		Short-term benefits	Post employment	
Name	**Financial year**	**Board and committee fees $**	**Superannuation $**	**Total $**
W G Hames	**2016**	**141,310**	**13,424**	**154,734**
	2015	138,538	13,162	151,700
R S Brown	**2016**	**108,847**	**10,340**	**119,187**
	2015	106,712	10,138	116,850
R Packer	**2016**	**87,831**	**33,447**	**121,278**
	2015	85,201	33,698	118,899
S T Pearce*	**2016**	**76,384**	**7,256**	**83,640**
	2015	74,885	7,115	82,000
V A Davies *	**2016**	**59,966**	**5,697**	**65,663**
	2015	-	-	-
Total	**2016**	**474,338**	**70,164**	**544,502**
	2015	405,336	64,113	469,449

* Ms V A Davies was appointed on 21 September 2015.

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u) Additional statutory disclosures

Equity instrument disclosures relating to KMP

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

2016	Number of shares at the start of the year	Other changes during the year	Number of shares at the end of the year
NEDs			
W G Hames†	10,082,559	112,532	10,195,091
RS Brown*	7,985,584	0	7,985,584
R Packer	167,859	0	167,859
S T Pearce	15,000	5,000	20,000
V A Davies	0	15,000	15,000
T S Brown (alternate for R S Brown)*	4,639,980	0	4,639,980
Executive Directors			
P S Sadleir	1,049,529	42,000	1,091,529
Senior executives			
P Freedman	105,912	0	105,912
N J Blackburne	18,303	7,336	25,639
B G Rosser	0	0	0

2015	Number of shares at the start of the year	Other changes during the year	Number of shares at the end of the year
NEDs			
W G Hames†	9,905,406	177,153	10,082,559
RS Brown*	7,973,135	12,449	7,985,584
R Packer	166,782	1,077	167,859
S T Pearce	15,000	0	15,000
T S Brown (alternate for R S Brown)*	4,639,980	0	4,639,980
Executive Directors			
P S Sadleir	1,049,529	0	1,049,529
Senior executives			
P Freedman	103,619	2,293	105,912
N J Blackburne	17	18,286	18,303
S A Duplock	0	0	0

† Includes 2,014,439 (2015 – 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 KMP.

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. Accordingly the company has a high level of knowledge regarding commercial rates for these 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. The value of services provided was higher than in the previous year as a result of architectural and design work performed on the Williams Landing Shopping Centre and the Glenside master plan.

During the year creative design services were provided by Axiom Design, an entity associated with the family of Mr W G Hames. Mr Hames has no beneficial interest in Axiom Design. The services were performed on normal commercial terms and conditions. The level of services increased during the year due to additional shareholder reporting and increased corporate marketing activities.

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. At the estates where Westland Settlement Services was engaged, the number of lots that settled in FY2016 was lower than that of the previous year and as a result the value of transactions with Westland Settlement Services Pty Ltd decreased.

Cedar Woods has for many years been a member of the Australian Institute of Company Directors (AICD). During the 2015 year Mr P S Sadleir became a council member of AICD WA. The annual subscriptions paid in 2015 and 2016 were performed on normal commercial terms and conditions.

In 2015 and 2016 payments were made for sponsorship of the Warren Jones Foundation Inc. of 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:

	2016 $	2015 $
Amounts recognised as expense		
Creative design services	62,323	59,585
Settlement fees	24,500	0
Donations	78,355	131,440
Subscriptions	10,000	10,000
Sponsorships	9,500	7,650
	184,678	208,675
Amounts recognised as inventory / investment property		
Architectural fees	153,995	59,749
Total amounts recognised in year	**338,673**	**268,424**
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	90,020	0
Investment property	63,975	59,749
	153,995	**59,749**

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.

v) Independent audit of remuneration report

The remuneration report has been audited by PricewaterhouseCoopers (PwC). See page 104 of this annual report for PwC's report on the remuneration report.

Cedar Woods

Directors' Report (continued)

w) Retirement, election and continuation in office of directors

Mr Robert Brown and Mr Ron Packer retire by rotation at the forthcoming Annual General Meeting and being eligible, will offer themselves for re-election.

x) 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, V A Davies, 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.

y) 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.*

z) 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 47.

aa) Rounding of amounts

The company is of a kind referred to in Class Order 2016/191, 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.

The directors reporting including the remuneration report is signed in accordance with a resolution of the directors of Cedar Woods Properties Ltd.

P S Sadleir
Managing Director

24 August 2016

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Cedar Woods Properties Limited for the year ended 30 June 2016, 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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
24 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Financial Statements

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 24 August 2016. The directors have the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue from operations			
Sale of land and buildings		169,181	170,359
Services		787	2,830
Rent from properties		3,892	4,018
Interest revenue		1,299	1,430
		175,159	**178,637**
Gain on sale of investment property	A1(a)	**-**	**19,969**
Other Income		**76**	**60**
Expenses			
Cost of sales of land and buildings		(77,715)	(99,438)
Cost of providing services		(71)	(949)
Other expenses from ordinary activities:			
Project operating costs		(14,911)	(17,583)
Occupancy		(597)	(739)
Administration		(14,483)	(13,442)
Other	A1(b)	(1,912)	(6,368)
Finance costs	A1(b)	(3,755)	(3,397)
Share of net profit (loss) of joint ventures accounted for using the equity method	C1(d)i	41	1,073
Profit before income tax		**61,832**	**57,823**
Income tax expense	A1(c)	(18,230)	(15,238)
Profit for the year	A4(c) & A1(d)	**43,602**	**42,585**
Total comprehensive income for the year		**43,602**	**42,585**
Total comprehensive income attributable to members of Cedar Woods Properties Limited		**43,602**	**42,585**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic and diluted earnings per share	A1(d)	55.3 cents	54.3 cents

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

Cedar Woods

Consolidated Balance Sheet

As at 30 June 2016

	Note	Consolidated 2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	A2(a)	1,697	1,886
Trade and other receivables	A2(b)	8,374	9,475
Inventories	A3(a)	55,644	59,181
Deferred development costs	A3(b)	6,535	6,495
Total current assets		**72,250**	**77,037**
Non-current assets			
Receivables	A2(b)	6,890	3,069
Inventories	A3(a)	311,542	251,109
Deferred development costs	A3(b)	11,836	5,868
Investments accounted for using the equity method	A3(c)	4,016	3,975
Available-for-sale financial assets	A2(c)	-	1,029
Property, plant and equipment	A3(d)	4,080	2,479
Investment properties	A3(e)	41,542	37,982
Lease incentives	A3(e)	573	782
Total non-current assets		**380,479**	**306,293**
Total assets		**452,729**	**383,330**
LIABILITIES			
Current liabilities			
Trade and other payables	A2(d)	13,494	16,063
Borrowings	A2(f)	-	22,481
Other financial liabilities	A2(g)	27,446	-
Current tax liabilities		6,070	8,679
Provisions	A3(g)	7,128	8,365
Total current liabilities		**54,138**	**55,588**
Non-current liabilities			
Borrowings	A2(f)	52,041	7,313
Other financial liabilities	A2(g)	34,086	32,106
Deferred tax liabilities	A3(f)	4,277	2,236
Provisions	A3(g)	271	414
Derivative financial instruments	A2(e)	728	68
Total non-current liabilities		**91,403**	**42,137**
Total liabilities		**145,541**	**97,725**
Net assets		**307,188**	**285,605**
EQUITY			
Contributed equity	A4(a)	119,525	119,525
Reserves	A4(b)	159	186
Retained profits	A4(c)	187,504	165,894
Total equity		**307,188**	**285,605**

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2016

Consolidated	Note	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000
Balance at 1 July 2014		**116,716**	**309**	**144,576**	**261,601**
Profit for the year		-	-	42,585	42,585
Total comprehensive income for the year		**-**	**-**	**42,585**	**42,585**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	A4(a)	2,809	-	-	2,809
Transfers from reserves to retained profits		-	(123)	123	-
Dividends provided for or paid	B3(b)	-	-	(21,390)	(21,390)
		2,809	(123)	(21,267)	(18,581)
Balance at 30 June 2015		**119,525**	**186**	**165,894**	**285,605**
Balance at 1 July 2015		**119,525**	**186**	**165,894**	**285,605**
Profit for the year		-	-	43,602	43,602
Total comprehensive income for the year		**-**	**-**	**43,602**	**43,602**
Transactions with owners in their capacity as owners:					
Transfers from reserves to retained profits		-	(97)	97	-
Dividends provided for or paid	B3(b)	-	-	(22,089)	(22,089)
Employee share plan reserve	A4(b)	-	70	-	70
		-	(27)	(21,992)	(22,019)
Balance at 30 June 2016		**119,525**	**159**	**187,504**	**307,188**

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

Cedar Woods

Consolidated Cash Flow Statement

For the Year Ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Receipts from customers (incl. GST)		190,846	194,015
Payments to suppliers and employees (incl. GST)		(51,468)	(46,777)
Payments for land and development		(112,887)	(120,620)
Interest received		516	595
Borrowing costs paid		(3,941)	(6,163)
Income taxes paid		(18,799)	(12,502)
Net cash inflows from operating activities	A5(a)	4,267	8,548
Cash flows from investing activities			
Proceeds from sale of investment properties		-	36,000
Repayments of loan by joint ventures		1,108	2,796
Advance of loan to joint ventures		-	(7,005)
Payments for investment properties		(3,656)	(15,938)
Payments for property, plant and equipment		(2,052)	(1,130)
Net cash (outflows) inflows from investing activities		(4,600)	14,723
Cash flows from financing activities			
Proceeds from borrowings		44,708	22,481
Repayment of borrowings		(22,481)	(34,082)
Payment of share issue expenses		-	(15)
Dividends paid	B3(b)	(22,083)	(18,565)
Net cash inflows (outflows) from financing activities		144	(30,181)
Net decrease in cash and cash equivalents		(189)	(6,910)
Cash and cash equivalents at the beginning of the year		1,886	8,796
Cash and cash equivalents at the end of the year	A2(a)	**1,697**	**1,886**

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

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 C1a.

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, explains 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 report.

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.

A1. Profit or Loss Information

a) Gain on sale of investment property

	Notes	Consolidated 2016 $'000	2015 $'000
Gain on sale of investment property			
Proceeds from sale of investment property		-	36,000
Carrying value of investment property disposed		-	(16,031)
Net gain on disposal of investment property		**-**	**19,969**

b) Expense items

Profit before income tax expense includes the following specific expenses:

	Notes	Consolidated 2016 $'000	2015 $'000
Finance costs			
Interest and finance charges		3,861	5,822
Interest – other financial liabilities		2,564	2,592
Unrealised financial instrument losses (gains)		660	(577)
Less: amount capitalised	i	(3,330)	(4,440)
Finance costs expensed		**3,755**	**3,397**

i. 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 3.68% (2015 – 5.10%) per annum. Where qualifying assets are financed by specific facilities, the applicable borrowing costs of those facilities are capitalised.

	Notes	Consolidated 2016 $'000	2015 $'000
Net loss on disposal of property, plant and equipment		2	18
Rental expense relating to operating leases			
Minimum lease payments		696	803
Other provisions			
Provision for customer rebates		1,647	3,671
Provision for impairment of trade receivables		348	-
Superannuation		809	778
Depreciation of property, plant and equipment		458	301
Depreciation of investment properties		996	1,015
Employee benefits expense		9,743	8,996
Other			
Impairment of available for sale financial assets: units in the BCM Apartment Trust	A2(c)	1,029	6,368
Impairment of loan to the BCM Apartment Trust		449	-
Impairment of lease incentives and capitalised lease costs		434	-
		1,912	**6,368**

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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 2016 $'000	Consolidated 2015 $'000
Current tax		16,511	16,987
Deferred tax		2,041	55
Adjustments for current tax of prior periods		(322)	(1,804)
Income tax expense attributable to profit		**18,230**	**15,238**
Deferred income tax expense (revenue) included in income tax expense comprises:			
(Increase) in deferred tax assets	A3(f)	(35)	(3,065)
Increase in deferred tax liabilities	A3(f)	2,076	3,120
		2,041	**55**

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit before income tax	61,832	57,823
Tax at the Australian tax rate of 30% (2015 – 30%)	18,550	17,347
Tax effect of amounts which are not deductible in calculating taxable income:		
- Share of net profit of joint venture	(13)	(322)
- Sundry items	15	17
	2	(305)
Adjustments for current tax of prior periods:		
- Research and development	(322)	(1,804)
	(322)	(1,804)
Income tax expense	18,230	15,238

d) Earnings per share

	2016	2015
Basic earnings per share (cents)	55.3	54.3
Diluted earnings per share (cents)	55.3	54.3
Net profit attributable to the ordinary owners of the company ($'000)	43,602	42,585
Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share and diluted earnings per share	78,891,681	78,430,698

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	Financial assets at amortised cost	Total
2016		**$'000**	**$'000**	**$'000**
Cash and cash equivalents	A2(a)	-	1,697	1,697
Trade and other receivables*	A2(b)	-	13,331	13,331
Total		**-**	**15,028**	**15,028**
2015				
Cash and cash equivalents	A2(a)	-	1,886	1,886
Trade and other receivables*	A2(b)	-	10,796	10,796
Available-for-sale financial assets	A2(c)	1,029	-	1,029
Total		**1,029**	**12,682**	**13,711**

* Excluding prepayments

Financial Liabilities	Notes	Derivatives used for hedging	Liabilities at amortised cost	Total
2016		**$'000**	**$'000**	**$'000**
Trade and other payables	A2(d)	-	13,494	13,494
Borrowings	A2(f)	-	52,041	52,041
Derivative financial instruments	A2(e)	728	-	728
Other financial liabilities	A2(g)	-	61,532	61,532
Total		**728**	**127,067**	**127,795**
2015				
Trade and other payables	A2(d)	-	16,063	16,063
Borrowings	A2(f)	-	29,794	29,794
Derivative financial instruments	A2(e)	68	-	68
Other financial liabilities	A2(g)	-	32,106	32,106
Total		**68**	**77,963**	**78,031**

Cedar Woods

a) Cash and cash equivalents

	Consolidated 2016 $'000	2015 $'000
Cash at bank and in hand	1,697	1,886
	1,697	1,886

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 2.3% (2015: 0 – 2.0%) per annum depending on the balances.

The Group's exposure to interest rate risk is discussed in section 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

	Notes	Consolidated 2016 $'000	2015 $'000
Current			
Trade receivables	i & ii	2,213	982
Provision for impairment	i & ii	(348)	-
Other receivables	i & ii	2,578	122
Loan to BCM Apartment Trust (Secured)	iii	1,998	6,623
Prepayments		1,933	1,748
		8,374	9,475
Non-Current			
Loans to BCM Apartment Trust (Secured)	iii	7,317	3,040
Provision for impairment	iii	(449)	-
Loans – employee share scheme (discontinued)	E3	22	29
		6,890	3,069

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) and E4(x).

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. A provision for impaired trade receivables of $348,000 was made at 30 June 2016 (2015 – $nil) for Williams Landing Shopping Centre rental that is past due, where there is low probability of recovery in full. Other receivables includes GST receivable in relation to the payment of Other financial liabilities - Current in note A2(g).

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

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

iii. Secured loan to BCM Apartment Trust

In the year ended 30 June 2016, finance facilities continued to be provided by Cedar Woods Properties Limited to BCM Apartment Trust, secured over all of the apartments in the Batavia Coast Marina Apartments development. The interest rate on these facilities is BBSY plus 4.5% per annum.

A provision for doubtful debts of $449,000 was made at 30 June 2016 (2015 - $nil) for a loan to Champion Bay Nominees Pty Ltd ATF the BCM Apartment Trust.

c) Available-for-sale financial assets

	Consolidated	
	2016 $'000	2015 $'000
Unlisted securities		
Special unit in unit trust – at fair value	-	1,029
	-	1,029

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 A3(c) and the 1 special unit (class B) is disclosed as an available-for-sale financial asset above. The special unit (class B) has been assessed for impairment and a write-down of $1,029,000 (2015: $6,368,000) recorded.

ii. Non-current assets pledged as security

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

d) Trade and other payables

	Consolidated	
	2016 $'000	2015 $'000
Trade payables	7,053	6,275
Accruals	3,853	6,226
GST payable	2,256	3,560
Other payables	332	2
	13,494	16,063

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.

e) Derivative financial instruments

	Consolidated	
	2016 $'000	2015 $'000
Non-current liabilities		
Interest rate swap contracts	728	68
	728	68

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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 loans currently bear an average variable interest rate of 3.28% per annum (2015 – 3.72% 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 part of the consolidated entity's projected borrowings are protected for the period from 1 July 2016 to 30 June 2020.

The swaps effectively fix interest rates applicable to bank bills issued with a duration of 1 month (BBSY Bid) at certain levels between 2.255% - 2.495% per annum (2015 – 2.49% - 2.50% per annum). Swaps currently in place cover approximately 61% (2015 – 66%) of the variable loans outstanding at balance date, with terms expiring in 2019 and 2020. 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.

f) Borrowings

	Consolidated	
	2016 $'000	**2015 $'000**
Current		
Bank loan – secured (Williams Landing Shopping Centre facility)	-	22,481
	-	22,481
Non-Current		
Bank loans – secured (Corporate facilities)	26,400	7,600
Bank loan – secured (Williams Landing Shopping Centre facility)	25,909	-
Facility fees capitalised (amortised over the period of facility)	(558)	(702)
Amortisation of facility fees	290	415
	52,041	7,313

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 $13,200,000 provided by ANZ Bank (2015 - $3,800,000) and $13,200,000 provided by Commonwealth Bank trading as Bankwest (2015 - $3,800,000) 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).

The Williams Landing Shopping Centre facility is secured by a first registered mortgage over the Williams Landing Shopping Centre disclosed in investment properties at A3(e).

ii. Financing arrangements

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

	Consolidated	
	2016 $'000	2015 $'000
Corporate facilities		
Total facilities (loan and guarantees)	135,000	135,000
Used at balance date	40,545	21,288
Unused at balance date	94,455	113,712
Williams Landing Shopping Centre facility		
Total facility	30,000	23,000
Used at balance date	25,909	22,481
Unused at balance date	4,091	519
Total Facilities	165,000	158,000
Used at balance date	66,454	43,769
Unused at balance date	98,546	114,231

The consolidated entity has total corporate 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 2018. Approval has been received from financiers to increase the corporate facility to $175,000,000. 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 interest on the corporate loan facilities is variable and at 30 June 2016 was an average rate of 3.28% per annum (2015 – 3.72%).

The corporate facilities include bank guarantee facilities of $18,000,000 (2015 - $15,000,000) subject to similar terms and conditions, which were drawn to a total amount of $14,145,000 at 30 June 2016 (2015 - $13,688,000).

The consolidated entity has a facility of $30m (2015 - $23m) in place for the development of the Williams Landing Shopping Centre provided by Commonwealth Bank trading as Bankwest. The conditions of the facility impose certain covenants including loan-to-valuation ratio and interest cover ratio. The facility extends to February 2019. The interest on the Williams Landing Shopping Centre loan facility is variable and at 30 June 2016 was an average rate of 3.20% (2015 – 3.99%) per annum.

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

g) Other financial liabilities

	Consolidated	
	2016 $'000	2015 $'000
Current		
Due to vendors of properties under contracts of sale	27,446	-
	27,446	-
Non-Current		
Due to vendors of properties under contract of sale	34,086	32,106
	34,086	32,106

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A3. Non-Financial Assets and Liabilities

a) Inventories

	Notes	Consolidated 2016 $'000	2015 $'000
Total Inventory			
Current inventory	i & ii	55,644	59,181
Non-current inventory	i & ii	311,542	251,109
Aggregate carrying amount		367,186	310,290

	Consolidated 2016 $'000	2015 $'000
Current		
Property held for resale		
- land at cost	9,433	16,031
- at valuation 30 June 1992	87	178
- capitalised development costs	46,124	42,972
	55,644	59,181

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

	Consolidated 2016 $'000	2015 $'000
Non-Current		
Property held for resale		
- land at cost	251,330	203,787
- at valuation 30 June 1992	74	151
- capitalised development costs	54,994	42,054
- at net realisable value	5,144	5,117
	311,542	251,109

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

i. i. Current and non-current assets pledged as security

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

ii. Accounting for inventory

Refer to note E4(g) for the recognition and classification of inventory.

b) Deferred development costs

	Consolidated 2016 $'000	Consolidated 2015 $'000
Current		
Deferred development costs	6,535	6,495
	6,535	6,495
Non-Current		
Deferred development costs	11,836	5,868
	11,836	5,868

c) Investments accounted for using the equity method

	Consolidated 2016 $'000	Consolidated 2015 $'000
Unlisted securities		
Shares in joint ventures	4,016	3,975

i. Cedar Woods Wellard Limited

The consolidated entity owns a 32.5% (2015: 32.5%) interest in Cedar Woods Wellard Limited, a property development company incorporated in Australia. Refer to 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. Refer to note C1(b).

d) Property, plant and equipment

	Consolidated 2016 $'000	Consolidated 2015 $'000
Plant and Equipment at Cost		
At start of the year	4,586	3,486
Additions	2,052	1,130
Assets disposed	(4)	(30)
At end of the year	6,634	4,586
Accumulated depreciation on Plant and Equipment		
At start of the year	2,107	1,818
Charge for year	458	301
Assets disposed	(11)	(12)
At end of the year	2,554	2,107
Net book value	4,080	2,479

Non-current assets pledged as security

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

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e) Investment properties

	Notes	Consolidated 2016 $'000	2015 $'000
Non-current assets – at cost			
Opening balance at the start of the year		37,982	34,929
Capitalised expenditure		4,631	15,143
Transfer from inventory		-	4,956
Depreciation		(996)	(1,015)
Investment properties disposed	A1(a)	-	(16,031)
Impairment of capitalised lease costs		(75)	-
Closing balance at the end of the year		41,542	37,982
Represented by:			
Property under construction	i	4,547	-
Completed investment property		36,995	37,982
Closing balance at the end of the year		41,542	37,982

i. Investment properties under construction

For investment properties that are under construction at 30 June 2016 depreciation has not yet commenced.

ii. Amounts recognised in profit or loss for investment properties

	Consolidated 2016 $'000	2015 $'000
Rental income	3,627	3,700
Direct operating expenses from property that generated rental income	(2,709)	(1,545)
Impairment of lease incentives and capitalised lease costs	(434)	-
Net gain on disposal of investment property	-	19,969

iii. Fair value of investment property

The fair value of the Williams Landing Shopping Centre which makes up completed investment property at 30 June 2016 is $58.8m (2015 - $52.3m) exclusive of GST, based on an independent valuation. This includes land surrounding the shopping centre for future development which is on the same title and adding subsequent development.

iv. Leasing arrangements

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

	Consolidated 2016 $'000	2015 $'000
Within one year	3,070	2,867
Later than one year but not later than 5 years	12,571	11,835
Later than 5 years	30,552	32,972
	46,193	47,674

v. *Leasing incentives*

	Consolidated 2016 $'000	2015 $'000
Lease incentives	1,118	830
Amortisation of lease incentives	(186)	(48)
Impairment of lease incentives	(359)	-
	573	782

vi. *Non-current assets pledged as security*

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

f) Deferred tax

i. *Assets*

	Notes	Consolidated 2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:			
Inventory		2,328	2,501
Available for sale financial assets at fair value		1,858	1,549
Provision for customer rebates		1,743	2,117
Provision for employee benefits		776	834
		6,705	7,001
Other			
Receivables		239	-
Derivative financial instruments		218	20
Share issue expenses		102	210
Borrowing costs		18	35
Other		52	33
Sub-total other		629	298
Total deferred tax assets		7,334	7,299
Set-off of deferred tax assets pursuant to set-off provisions		(7,334)	(7,299)
Net deferred tax assets		-	-
Deferred tax assets at the start of the year		7,299	4,230
Increase in deferred tax assets credited to income tax expense	A1(c)	35	3,065
Increase in deferred tax assets credited to equity	A4(a)	-	4
Deferred tax assets at the end of the year		7,334	7,299
Deferred tax assets expected to be recovered within 12 months		3,445	3,801
Deferred tax assets expected to be recovered after more than 12 months		3,889	3,498
		7,334	7,299

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Movements	Inventory $'000	Available for sale financial assets at fair value $'000	Provision for customer rebates $'000	Provision for employee benefits $'000	Other $'000	Total
At 1 July 2014	507	-	1,774	772	1,177	4,230
(Charged)/credited						
- to profit or loss	1,994	1,549	343	62	(883)	3,065
- directly to equity	-	-	-	-	4	4
At 30 June 2015	2,501	1,549	2,117	834	298	7,299
(Charged)/credited						
- to profit or loss	(173)	309	(374)	(58)	331	35
- directly to equity	-	-	-	-	-	-
At 30 June 2016	2,328	1,858	1,743	776	629	7,334

ii. Liabilities

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Deferred development costs		5,372	3,706
Inventory		5,212	4,872
Prepayments		439	411
Investment Property		367	215
		11,390	9,204
Other			
Lease incentives		172	235
Revaluation reserve		38	81
Other		11	15
Sub-total other		221	331
Total deferred tax liabilities		11,611	9,535
Set off of deferred tax assets pursuant to set-off provisions		(7,334)	(7,299)
Net deferred tax liabilities		4,277	2,236
Deferred tax liabilities at the start of the year		9,535	6,415
Increase in deferred tax liabilities debited to income tax expense	A1(c)	2,076	3,120
Deferred tax liabilities at the end of the year		11,611	9,535
Deferred tax liabilities expected to be settled within 12 months		3,643	3,908
Deferred tax liabilities expected to be settled after more than 12 months		7,968	5,627
		11,611	9,535

Movements	Deferred development costs $'000	Inventory $'000	Prepayments $'000	Investment Property $'000	Other $'000	Total $'000
At 1 July 2014	2,694	2,932	115	143	531	6,415
Charged/(credited)						
- to profit or loss	1,012	1,940	296	72	(200)	3,120
At 30 June 2015	3,706	4,872	411	215	331	9,535
Charged/(credited)						
- to profit or loss	1,666	340	28	152	(110)	2,076
At 30 June 2016	5,372	5,212	439	367	221	11,611

g) Provisions

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
Current			
Employee benefits		1,316	1,305
Dividends		3	3
Customer rebates	i	5,809	7,057
		7,128	8,365

	Consolidated 2016 $'000	Consolidated 2015 $'000
Non-current		
Employee benefits	271	414
	271	414

i. Movements in customer rebate provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Carrying amount at start of year	7,057	5,914
Charged to profit or loss	1,647	3,671
Payments	(2,895)	(2,528)
Carrying amount at end of year	5,809	7,057

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.

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A4. Equity

a) Movement in ordinary share capital

	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Start of the year	**78,891,681**	**78,336,371**	**119,525**	**116,716**
Shares issued pursuant to the dividend reinvestment plan:				
Ordinary shares issued on 30 April 2015 at $5.35	-	526,833	-	2,819
Transaction costs arising on share issues	-	-	-	(10)
Share issued pursuant to the bonus share plan:				
Ordinary shares issued on 30 April 2015	-	28,477	-	-
	-	555,310	-	2,809
End of the year	**78,891,681**	**78,891,681**	**119,525**	**119,525**

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.

The dividend reinvestment plan and bonus share plan were suspended during the 2016 financial year in response to capital management initiatives, having regard to the company share price.

b) Reserves

The following table shows the composition and movement in reserves during the year. A description of the nature and purpose of reserves is provided below the table.

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
Composition			
a) Asset revaluation reserve (pre 1992)		89	186
b) Employee share plan reserve		70	-
		159	186
Movements			
a) Asset revaluation reserve			
Balance at the beginning of the year		186	309
Transfer to retained profits	A4(c)	(97)	(123)
Balance at the end of the year		89	186
b) Share-based payments reserve			
Balance at the beginning of the year		-	-
Share-based payments expense		70	-
Balance at the end of the year		70	-

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).

The share-based payments reserve is used to recognise the grant date fair value of the rights issued to employees adjusted for those rights not expected to vest. Refer to note E3.

c) Retained profits

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
Retained profits at the start of the year		165,894	144,576
Net profit attributable to members of Cedar Woods Properties Limited		43,602	42,585
Transfers from reserves	A4(b)	97	123
Dividends provided for or paid	B3(b)	(22,089)	(21,390)
Retained profits at the end of the year		187,504	165,894

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A5. Cash Flow Information

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

	Consolidated	
	2016 $'000	2015 $'000
Profit after income tax	43,602	42,585
Depreciation	1,454	1,316
Amortisation of lease incentives	138	48
Write down of assets – investment property and lease incentives	434	-
Loss on sale of non-current assets	2	18
Gain on sale of investment properties	-	(19,969)
Write down of assets - Available for sale financial assets – BCM Apartment Trust	1,029	6,368
Write down of assets - Impairment of loan to the BCM Apartment Trust	449	-
Fair value loss (gain) on derivative financial instrument	660	(577)
Non-cash share based payments expense	70	-
Accrued interest on receivables	(760)	(870)
Share of profit in equity accounted investment	(41)	(1,073)
Changes in operating assets and liabilities		
(Decrease) increase in provisions for employee benefits	(132)	377
(Decrease) increase in provisions	(1,248)	1,143
(Increase) decrease in inventories	(56,896)	20,303
Transfer from inventories to investment properties	-	(4,956)
(Increase) in other deferred development costs	(6,008)	(3,375)
(Increase) in deferred tax assets	(35)	(3,069)
Increase (Decrease) in current income tax payable	(2,609)	2,681
Increase in deferred tax liability	2,076	3,120
Decrease (increase) in capitalised borrowing costs	20	(2)
(Increase) decrease in debtors	(3,752)	7,434
Decrease in creditors	(3,612)	(10,503)
Increase (decrease) in other financial liabilities	29,426	(32,451)
Net cash inflows from operating activities	**4,267**	**8,548**

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. Significant 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 inaccurate. 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 significantly impaired. Refer also to note E4(g).

iii. Estimated fair value of available for sale financial assets

The recoverability of the secured loans to BCM Apartment Trust is estimated based on assumptions in relation to market conditions existing at the end of each reporting period. These include sales rates, sales prices and future contracts.

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:

	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents	1,697	1,886
Trade and other receivables	15,264	12,544
Available-for-sale financial assets	-	1,029
	16,961	15,459
Financial liabilities		
Trade and other payables	13,494	16,063
Other financial liabilities	61,532	32,106
Borrowings	52,041	29,794
Derivative financial instruments	728	68
	127,795	78,031

a) Market risk

i. Price risk

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

The fair value of the available-for-sale financial assets is determined using valuation techniques, considering a variety of scenarios and making assumptions that are based on market conditions, including sales prices and sales rates. An increase in sales prices of 10% has a +$157,000 impact on net profit after tax (2015: +$1,000,000), while a decrease in sales prices of 10% has no impact on net profit after tax as the available-for-sale financial asset has been impaired to nil (2015: -$1,000,000).

The recoverability of other receivables is also determined considering a variety of scenarios and making assumptions that are based on market conditions, including sales prices and sales rates. An increase in sales prices of 10% has a +$449,000 impact on net profit after tax (2015: nil), while a decrease in sales prices of 10% has no impact on net profit after tax (2015: nil).

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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.

The group has issued loans to the BCM Apartment Trust that bears an interest rate of BBSY plus 4.5%. 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 2016 to 30 June 2020.

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 2.255% - 2.495% (2015 – 2.49% - 2.495%) per annum. Swaps currently in place cover 61% (2015 - 66%) of the variable loan outstanding at balance date, with terms expiring in 2019 and 2020.

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 61% of the bank loan at balance sheet date because the balance of the loan was $52,309,000 (2015 - $30,081,000), 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.

	2016			2015		
	Interest bearing - variable $'000	Non-interest bearing $'000	Total $'000	Interest bearing - variable $'000	Non-interest bearing $'000	Total $'000
Receivables						
Other receivables	-	6,376	6,376	-	2,852	2,852
Employee share loans	-	22	22	-	29	29
Loan to BCM Apartment Trust	8,866	-	8,866	9,663	-	9,663
	8,866	6,398	15,264	9,663	2,881	12,544

The weighted average interest rate at year end is 6.41% (2015: 6.59%)

	2016			2015		
	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	-	52,309	52,309	-	30,081	30,081
Other financial liabilities	34,086	-	34,086	32,106	-	32,106
	34,086	52,309	86,395	32,106	30,081	62,187

The weighted average interest rate at year end is 3.28% (2015: 3.72%)

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 from customers as title to lots or units in the consolidated entity's developments does not generally pass to customers until funds are received.

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 A3(c) 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 loans to BCM Apartment Trust, loans are secured by way of registered first mortgages over property held by the BCM Apartment Trust. The majority of the loans take priority over payment of any return to the special units (class A, class B and class C). The portion of the loans that rank behind the payment of any returns to the special units has been impaired.

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 2016 the group had undrawn committed facilities of $94,455,000 (2015 - $113,712,000) and cash of $1,697,000 (2015 - $1,886,000) to cover short term funding requirements. Refer to A2(f) ii for details.

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 2016	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	13,494	-	-	13,494	13,494
Fixed rate	25,037	-	39,000	64,037	61,532
Variable rate	-	-	57,607	57,607	52,041
Derivatives	-	-	728	728	728
Total	**38,531**	**-**	**97,335**	**135,866**	**127,795**

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Group – at 30 June 2015	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives					
Non-interest bearing	16,063	-	-	16,063	16,063
Fixed rate	-	-	39,000	39,000	32,106
Variable rate	23,145	-	8,453	31,598	29,794
Derivatives	-	-	68	68	68
Total	**39,208**	**-**	**47,521**	**86,729**	**78,031**

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 2016 and 30 June 2015:

As at 30 June 2016	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets					
Available-for-sale financial assets	A2(c)	-	-	-	-
Total assets		**-**	**-**	**-**	**-**
Liabilities					
Derivatives used for hedging	A2(e)	-	728	-	728
Total liabilities		**-**	**728**	**-**	**728**

As at 30 June 2015	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets					
Available-for-sale financial assets	A2(c)	-	-	1,029	1,029
Total assets		**-**	**-**	**1,029**	**1,029**
Liabilities					
Derivatives used for hedging	A2(e)	-	68	-	68
Total liabilities		**-**	**68**	**-**	**68**

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 2016:

	Available For sale $'000	Total $'000
Opening balance 30 June 2015	**1,029**	**1,029**
Impairment of Available-for-sale financial assets	(1,029)	(1,029)
Closing balance 30 June 2016	**-**	**-**

The reduction in fair value of the equity securities in the table above reflects the reduced return expected to be received and the extended period over which the return is now expected to be received. Refer to note A2(c) for details.

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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	2016 $'000	2015 $'000
Total interest bearing bank debt	A2(f)	52,041	29,794
Less: cash and cash equivalents	A2(a)	(1,697)	(1,886)
Net debt		50,344	27,908
Shareholders' equity		307,188	285,605
Gearing ratio		**16.4%**	**9.8%**

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	
	2016 $'000	**2015 $'000**
Fully franked based on tax paid at 30%		
Final dividend for the year ended 30 June 2015 of 16.0 cents (2014 – 15.5 cents) per fully paid share		
- Paid in cash	12,619	12,138
- Applied to the employee share loans	3	3
Interim dividend for the year ended 30 June 2016 of 12.0 cents (2015 – 12.0 cents) per fully paid share		
- Paid in cash	9,464	6,427
- Satisfied by shares under the dividend reinvestment plan	-	2,819
- Applied to the employee share loans	3	3
Total	22,089	21,390

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 16.5 cents per fully paid ordinary share (2015 – 16.0 cents), fully franked based on the tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 28 October 2016 out of retained profits at 30 June 2016, but not recognised as a liability at year end is below:

	Consolidated	
	2016 $'000	**2015 $'000**
Dividends not recognised at year end	13,017	12,623

iii. Franked Dividends

The franked portions of the final dividend proposed at 30 June 2016 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

	Consolidated	
	2016 $'000	**2015 $'000**
Franking credits available for the subsequent financial year on a tax-paid basis of 30% (2015 – 30%)	70,516	64,443

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 $5,579,000 (2015 - $5,410,000).

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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.

C1. Interests in Other Entities

a) Subsidiaries

The group's subsidiaries at 30 June 2016 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	
	2016	2015
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%
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%
Galaway Holdings Pty Ltd	100%	100%
Gaythorne Pty Ltd	100%	100%
Geographe Property Pty Ltd	100%	100%
Huntsman Property Pty Ltd	100%	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%
Williams Landing Home Improvement Pty Ltd	100%	100%
Williams Landing Home Improvement Trust	100%	100%
Williams Landing Shopping Centre Pty Ltd	100%	100%
Williams Landing Shopping Centre Trust	100%	100%
Williams Landing Town Centre Pty Ltd	100%	100%
Woodbrooke Property Pty Ltd	100%	100%
Yonder Property Pty Ltd	100%	100%
Zamia Property Pty Ltd	100%	100%

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b) Interests in joint arrangements

Set out below are the joint ventures of the group as at 30 June 2016. The principal place of business and country of incorporation (or origin) is Australia for all entities.

Name of entity	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
	2016 %	2015 %			2016 $'000	2015 $'000
Carine Joint Venture	-	50	Joint Operation	Share of assets, liabilities, income and expenses	-	(38)
Cedar Woods Wellard Limited	32.5	32.5	Joint Venture	Equity method	4,016	3,975
BCM Apartment Trust	50	50	Joint Venture	Equity method	-	-

The carrying amount represents the amount attributable to the group.

Carine Joint Venture (CJV) was 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 consolidated entity had a 50% participating interest in the CJV and was entitled to 50% of its revenue and assets, however the CJV was terminated in December 2015 and thus the consolidated entity's interest in the assets employed in the CJV are nil in the balance sheet at 30 June 2016 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.

BCM Apartment Trust, owns the Batavia Coast Marina Apartments project in Geraldton. 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 2016 (2015: nil).

Cedar Woods Wellard Limited has commitment for expenditure at 30 June 2016 of $111,263 (2015: $2,865,262) and provided $2,075,100 (2015: $27,667) bank guarantees to various local authorities supporting development and maintenance commitments.

BCM Apartment Trust has no commitments for expenditure or contingent liabilities at 30 June 2016 (2015: nil).

d) Summarised financial information for joint ventures

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	**2016 $'000**	**2015 $'000**
Current assets		
Cash	867	2,183
Other current assets	7,745	8,617
Total current assets	**8,612**	**10,800**
Total non-current assets	**9,538**	**5,502**
Total assets	**18,150**	**16,302**
Total current liabilities	**3,807**	**2,086**
Non-current liabilities	**-**	**-**
Total liabilities	**3,807**	**2,086**
Net assets	**14,343**	**14,216**
Group's share in %	32.5%	32.5%
Group's share in $	4,661	4,620

i. Movements in carrying amounts – Cedar Woods Wellard Limited

	2016 $'000	**2015 $'000**
At start of the year	3,975	2,902
Share of profit after income tax	41	1,073
At end of the year	4,016	3,975
Share of profit before income tax	59	1,533
Income tax expense	(18)	(460)
Share of profit after income tax	41	1,073
Share of joint venture's revenue, assets, liabilities and contingent liabilities		
Revenue	1,091	4,748
Assets	5,899	5,298
Liabilities	(1,237)	(678)
Contingent liabilities (bank guarantees)	(674)	(9)

The consolidated entity owns a 32.5% (2015 – 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.

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

At 30 June 2016 the group had contingent liabilities in respect of:

a) Bank guarantees

At 30 June 2016 bank guarantees totalling $14,145,000 (2015 - $13,688,000) 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	
	2016 $'000	2015 $'000
Within 1 year	683	711
Later than 1 year but not later than 5 years	1,294	2,167
	1,977	2,878

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.

b) Capital commitments

At 30 June 2016 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 $19,220,000 (2015 - $11,331,000), for building construction was $34,931,000 (2015 - $22,982,000) and for landscaping construction was $2,375,000 (2015 - $987,000). This work will be substantially completed in the next 12 months.

D3. Events occurring after the reporting period

On 12 July 2016 Cedar Woods announced that the South Australian Government approved Cedar Woods' conditional purchase of a 16.5ha site in Glenside, Adelaide for a price of $25.8m plus GST. The Glenside site is located 3 kilometres south east of Adelaide CBD and adjacent to over 700 hectares of parkland which surrounds the city. Settlement of the purchase will occur upon finalisation of the rezoning, which is expected to occur mid FY2017. The site will accommodate over 1,000 dwellings.

The company was also selected as preferred developer by the State Government for a 12.6ha site at Port Adelaide. The site will accommodate about 500 homes with the majority being 2 to 3 storey townhouses. The State Government (Renewal SA) and Cedar Woods will work together over the next six months to develop a master plan in consultation with the community.

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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.

E1. Related Party Transactions

a) Key management personnel compensation

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

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	2,771,210	2,474,008
Post-employment benefits	177,444	157,429
Long-term employee benefits	69,283	152,133
Termination benefit	-	124,500
	3,017,937	2,908,070

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 $312,413 (2015 - $1,361,275) from Cedar Woods Wellard Limited.

Detailed disclosures on transactions with key management personnel or their related entities are set out in the Directors' Report.

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) 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::

	2016 $	2015 $
Current receivables (sales of goods and services)		
Cedar Woods Wellard Limited	315	-
	315	-

g) Loans to related parties

Loan to Cedar Woods Wellard Limited	2016 $	2015 $
Beginning of the year	-	2,610,154
Loan repayments received	-	(2,796,146)
Interest charged	-	185,992
End of year	-	-

E2. Remuneration of Auditors

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

PricewaterhouseCoopers – Australian firm	**2016 $**	**2015 $**
Assurance services		
- Audit and review of the financial statements of the parent entity, controlled entities and co-development projects	196,238	239,007
Non-audit services		
- Research and development advice	-	266,649
- Accounting advice	1,530	-
- Other taxation advice and reviews	7,575	29,325
Total fees for non-audit services	9,105	295,974
	205,343	534,981

The statutory audit requirements for the group vary from year to year and can have an impact on the level of audit fees. Audit Fees in FY2016 include $11,936 in relation to the FY2015 audit that were subsequently billed in FY2016.

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 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.

The auditor has provided an independence declaration and the committee is satisfied that the work performed on non-audit services is conducted by a team separate from the audit team and does not impact the independence of the auditor.

The majority of non-audit services fees in FY2015 related to research and development (R&D) tax incentive work. The work on R&D is now performed by a different firm to the auditor. The company has an objective that the value of non-audit services provided by the audit firm does not exceed the value of the audit services.

E3. Employee Share Scheme

The former 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 2016, $22,000 (2015 - $29,000) remained outstanding from employees in relation to loans granted in financial years prior to 2010. No amounts were due from former employees.

The former employee share plan has been reviewed and replaced by a new Long Term Incentive (LTI) plan effective from 1 July 2015 for FY2016 and which will continue in FY2017.

The new LTI plan has two vesting conditions a) a 3 year service condition and b) two performance conditions measured over a 3 year period: 50 percent of the LTI grant will be tested against a relative total shareholder return ("TSR") hurdle (measured against the S&P / ASX Small Industrials Index) and 50 per cent against earnings per share ("EPS") growth targets, set in the context of the Corporate plan.

Full details of the operation of the LTI plan are set out in the remuneration report on pages 35 and 36 of this annual report.

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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 2016 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).

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 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.

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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**

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 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 of disposal 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 substantially made up of furniture, fittings and equipment and 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:

- 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, other financial assets and other financial liabilities

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.

Other financial liabilities at fair value through profit or loss are financial liabilities due to vendors of properties under contracts of sale. 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.

n) Investment property

i. 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 buildings 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. Net gains or losses on sale are disclosed in the profit or loss.

ii. Lease incentives

Lease incentives provided under an operating lease by the Group as lessor are recognised on a straight line basis against rental income over the lease period.

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 corporate 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.

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 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.

Cedar Woods

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 2015:

AASB 2014-1 Amendments to Australian Accounting Standards

The amended standards only affected the disclosures in the notes to the financial statements.

New accounting standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the group. 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 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	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.	Must be applied for financial years commencing on or after 1 January 2018.
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	Management is currently assessing the effects of applying the new standard on the group's financial statements. At this stage, the group is not able to estimate the effect of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.
AASB 16 Leases	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has operating lease commitments of $1,977,000. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may relate to arrangements that will not qualify as leases under AASB 16.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective 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 2016/191, 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:

	2016 $'000	2015 $'000
Balance sheet		
Current assets	48,760	51,095
Total assets	355,945	315,404
Current liabilities	(98,884)	(89,411)
Total liabilities	(126,107)	(97,212)
Net assets	229,838	218,192
Shareholders' equity		
Issued capital	119,525	119,525
Reserves	70	-
Retained earnings	110,243	98,667
	229,838	218,192
Profit for the year	28,790	31,525
Total comprehensive income	28,790	31,525

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.

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Section F: Declaration and Independent Auditor's Report

F1. Directors' Declaration

In the directors' opinion:

a) the financial statements that are set out in the financial statements section and notes on pages 48 to 101 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 2016 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 S Sadleir
Managing Director

Perth, Western Australia
24 August 2016

Cedar Woods

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 consolidated balance sheet as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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.

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*.

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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

Auditor's opinion

In our opinion, the financial report of Cedar Woods Properties Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the remuneration report included in pages 30 to 46 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
24 August 2016

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.

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 2016 financial year is 16.5 cents per share, fully franked. The dividend will be paid on 28 October 2016.

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 1,000 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 are currently suspended.

e) Shareholders' timetable

Dividend announcement	25 August 2016
Share register closes for dividend (Record date)	6 October 2016
Final dividend payment date	28 October 2016
First quarter update	October 2016
Annual General Meeting	10 November 2016
Half-year result announcement	February 2017
Interim dividend payment date	April 2017
Third quarter update	May 2017
Full year result and dividend announcement	August 2017

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f) Shareholder Information

The shareholder information set out below was applicable at 31 August 2016.

i) Distribution of ordinary shares

	Number of holders	Number of shares
1 – 1,000	965	411,777
1,001 – 5,000	1,266	3,460,230
5,001 – 10,000	435	3,280,264
10,001 – 100,000	443	11,451,297
100,000 and over	59	60,288,113
	3,168	78,891,681

There were 254 holders of less than a marketable parcel of shares.

ii) Twenty largest shareholders of ordinary shares as disclosed in the share register

	Number of shares	Percentage of shares
JP Morgan Nominees Australia Limited	10,341,125	13.11
HSBC Custody Nominees (Australia) Limited	9,300,214	11.79
Hamsha Nominees Pty Ltd (The Nowra Projects Unit Fund A/C)	5,040,216	6.39
Westland Group Holdings Pty Ltd	4,596,980	5.83
Zero Nominees Pty Ltd	4,059,874	5.15
National Nominees Limited	2,706,545	3.43
Beach Corporation Pty Ltd	2,384,963	3.02
Citicorp Nominees Pty Ltd	2,258,742	2.86
Australian Executor Trustees Limited (No 1 Account)	1,806,934	2.29
Helen Kaye Poynton	1,677,095	2.13
Joia Holdings Pty Ltd	1,177,922	1.49
Mr Paul Sadleir	1,045,445	1.33
Australian Foundation Investments Company Limited	800,000	1.01
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	736,952	0.93
Leblon Holdings Pty Ltd (William Hames Super Fund A/C)	708,456	0.90
RBC Investor Services Australia Pty Ltd (VFA A/C)	696,474	0.88
Dr A Gerraty & Mrs P Gerraty (A & P Gerraty S/F A/C)	600,000	0.76
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	543,422	0.69
Netwealth Investments Limited (Wrap Services A/C)	478,950	0.61
Mr JH Tucker & Mrs KJ Tucker (Tucker Family Super Fund A/C)	460,002	0.58
	51,420,311	65.18

iii) Substantial shareholders of ordinary shares

As disclosed in substantial shareholder notices lodged with the ASX at 31 August 2016.

	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
Westpac Banking Corporation	4,752,159	6.02
Westoz Funds Management Pty Ltd	4,025,000	5.10
AustralianSuper Pty Ltd	3,984,733	5.05

[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.

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G2. Five Year Financial Performance

All figures in $'000 except where stated

Financial Year	2016	2015	2014	2013	2012
Financial Performance					
Revenue from operations	175,159	178,637	214,465	172,751	170,474
Proceeds from investment Properties	-	36,000	-	382	1,271
Earnings before interest and tax	65,587	61,220	56,172	53,022	53,092
Finance costs	3,755	3,397	606	1,580	3,819
Operating profit before tax	61,832	57,823	55,566	51,442	49,273
Income tax expense	18,230	15,238	15,253	15,105	15,023
Net profit after tax	43,602	42,585	40,313	36,337	34,250
Financial Position					
Total assets	452,729	383,330	409,948	301,024	238,314
Total liabilities	145,541	97,725	148,347	93,280	53,688
Shareholders' equity	307,188	285,605	261,601	207,744	184,626
Number of shares on issue – end of year ('000)	78,892	78,892	78,336	73,360	72,190
Earnings per share (cents)	55.3	54.3	54.4	49.9	53.2
Key Performance Measures					
Dividend per share, fully franked (cents)	28.5	28.0	27.5	26.0	25.0
EBIT Margin	37.4%	34.3%	26.2%	30.7%	31.1%
Interest cover (times)	16.6	9.9	10.4	12.6	8.8
Return on Equity	14.2%	14.9%	15.4%	17.5%	18.6%
Investment in inventory during year	112,887	120,620	158,149	145,474	97,401
Net tangible assets backing per share ($)	3.89	3.62	3.34	2.83	2.56
Net bank debt	50,344	27,908	32,602	37,762	3,822
Net bank debt to equity	16.4%	9.8%	12.5%	18.2%	2.1%
Share price – end of year ($)	4.35	5.26	7.31	5.17	3.56
Stock Market capitalisation at 30 June	343,179	414,970	572,639	379,269	256,995
Number of employees at 30 June	67	62	56	54	48

Returns to shareholders over 1, 3, & 5 years	1 Year	3 Year	5 Year
Earnings per share growth %	1.8	3.5	3.8
Share price growth %	(17.3)	(5.6)	1.7
Dividend growth % (paid dividend)	1.8	3.8	8.1
Total shareholder return %	(9.6)	1.0	9.5

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
Valerie Anne Davies, FAICD
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

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

Phone: (08) 9480 1500
Fax: (08) 9480 1599
Email: email@cedarwoods.com.au
Website: www.cedarwoods.com.au

Share registry

Computershare Investor Services Pty Ltd
Level 11, 172 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: Thursday 10 November 2016

www.cedarwoods.com.au