

**Cedar Woods Properties
2016 Annual General Meeting
Chairman's Address**

William Hames

Good morning and thank you for joining us for the Cedar Woods Properties 2016 Annual General Meeting. My name is William Hames and I am the Chairman of Cedar Woods.

FY2016 Financial Performance Summary

Turning to the financial highlights of the 2016 Financial Year...

- Although revenue was slightly below that of the previous year, we achieved another record net profit after tax, of \$43.6 million, representing a 2.4% increase over FY2015
- Earnings Per Share was up 1.8% at 55.3 cents, and
- The Board declared a final fully franked dividend of 16.5 cents per share, taking the full year dividend to a record 28.5 cents per share, fully franked, up 1.8% and another record for the company.

I am also delighted to report that we have begun the 2017 financial year strongly, increasing presales from \$184 million when we released our full year results to \$230 million at the end of the first quarter, providing a strong platform for the financial year ahead.

- The record profit and dividend in FY2016 continues our track record of growth, being the sixth consecutive year of record profit.
- The record dividend declared for 2016 was consistent with the Board's policy of distributing approximately 50% of full year net profit.
- We make every effort to balance returning funds to shareholders with retaining funds to grow the business, and the current policy has served us well over time.
- Over the past six years we have paid a total of \$1.58 per share in fully franked dividends to shareholders.
- Over that time we have also maintained our gearing at conservative levels and the balance sheet remains strong as we move into the 2017 financial year.
- The gearing at 30 June was a low 16.5%.
- We expect gearing to move into our target range over the next year as we develop our project pipeline.

Corporate Governance

I would now like to mention some of the recent improvements we have made to our Corporate Governance.

As you know, last year the Board appointed Ms Valerie Davies as an additional independent director, bolstering the number of independent directors on the Board and the company's Board committees.

This resulted in us having a majority of Independent Directors on all Board committees and a fully independent Audit & Risk Management Committee from 1 December 2015.

The company continued with its balanced scorecard of measures for determining Short Term Incentive awards for FY2016. We have received positive feedback from investors and proxy advisors on the enhanced levels of disclosure in the scorecard, which provide shareholders an in-depth understanding of management's objectives and the performance assessment process.

The new Long Term Incentive Plan, introduced from 1 July 2015 as part of our transition to greater emphasis on variable pay, has been in operation for a year and the performance rights awarded in the 2016 financial year are outlined in the remuneration report. The plan contains stringent vesting conditions that are measured over a three year period.

We believe that in general the changes we introduced a year or so ago have been positively received by the investment community. I am pleased to say that all of the major proxy advisory firms and the Australian Shareholders Association are supporting all of our AGM resolutions today.

In addition to the above, we also made some key management changes during the year in response to the company's recent growth into Queensland and Adelaide and our anticipated future growth.

The executive team has been strengthened by the appointment of Nathan Blackburne to the role of Chief Operating Officer, and Patrick Archer being promoted into the role of State Manager, Victoria & South Australia. These changes have provided more depth to the executive team and position us well for the challenges moving forward.

Share Price

Last year I made comments about the company's share price performance over the year and I want to make a few more comments this year. The share price has to some extent recovered from last year but remains at levels much lower than 2014 despite, once again, the company achieving another record profit in 2016 and a solid start to FY2017.

We believe that the share price continues to be impacted by investor aversion to WA exposed companies, as the WA economy continues its adjustment following the resource industry expansion and a view held by many that the property market has peaked nationally (that was also the view last year!)

We note that many of our peers in the property development sector have also struggled to see traction in their share prices over the last 12 months, so we are not alone.

As I have said before, the company share price is not something we can directly control, but you can be sure that your Board and management are working hard on the matters that we can control.

The company now has an extensive and diverse property portfolio that spans four states in Australia and we have a significant pipeline of new developments coming on stream in the next 12 months, and so we remain very positive about the company's prospects and its long term future.

Company Outlook

Cedar Woods has started FY2017 positively, underpinned by pre-sales of \$230 million at the end of the first quarter, up from \$184m at the same time last year.

Debt has remained low and gives us capacity to fund our ongoing development program and make further strategic acquisitions.

The housing sector across Australia continues to be supported by historically low interest rates, strong inbound migration, and improving employment. In Victoria, we have continued to see consistent sales backed by strong price growth.

In Queensland the property market is experiencing a moderate upswing, providing a favourable environment for the first stage of our project at Ellendale. We have continued to see weak conditions in Western Australia in terms of sales activity and pricing, but some projects are performing well even in a challenging market.

Based on current market conditions continuing, we expect to deliver a net profit after tax for FY2016 that is similar to last year's net profit of \$43.6m.

Earnings will be significantly skewed to the second half, which will result in a much weaker result in the first half of this financial year compared with last year. The second half will be strong as it is underpinned by significant presales at a number of projects across the country.

Looking further ahead, the raft of new projects coming on positions us well for growth in future financial years.

We will continue our practice of providing quarterly updates and guidance as the year progresses.

Board, Management, Staff and Shareholders

On behalf of the Board, I would like to congratulate Cedar Woods' management team and staff for delivering another record year in 2016. The Board acknowledges their hard work and thanks them for their efforts.

I would personally like to thank my Board colleagues for their continued engagement and enthusiasm over the past year.

Finally, I would like to acknowledge the support of and contribution of the company's shareholders.

Thank you for your ongoing support.

--- ENDS ---