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Annual Financial Report

Cedar Woods Properties Limited ABN 47 009 259 081





About Cedar Woods

Cedar Woods Properties Limited (“Cedar Woods”) is a national developer of residential communities and commercial properties.

Established in 1987, Cedar Woods has grown to become one of the country’s leading developers.

The company has established a reputation for delivering long-term shareholder value underpinned by its disciplined approach to acquisitions, the rigour and thoughtfulness of its designs, and the creation of dynamic communities that meet the evolving needs of its customers.

Cedar Woods’ diversified product mix ranges from land subdivisions in emerging residential communities, to medium and high-density apartments and townhouses in vibrant inner-city neighbourhoods and supporting retail and commercial developments. Cedar Woods’ developments epitomise the company’s long-standing commitment to quality.



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Letter from the Chairman



“Developing and maintaining a high performance culture is one of Cedar Woods’ Strategic Priorities”



One of the most rewarding aspects of seeing a Company grow over more than three decades is to witness the evolution of its culture. In the case of Cedar Woods, this cultural evolution has created an impenetrable point of difference between us and our competitors and an environment for our people to grow and advance their careers.

A sharp focus on developing and maintaining a High-Performance Culture is one of Cedar Woods' Strategic Priorities and, along with the other priorities of Operational Excellence, Financial Strength and Earnings Growth, provides an environment for sustained success.

While the Australian property market has been challenging over the past 12 months, it has also created opportunity for a well-disciplined company such as Cedar Woods. Through our corporate planning, which guides management and provides a five-year forward view, we have been active in sourcing and assessing potential development opportunities.

The Company has also used this period to build the foundations to support growth by sharpening our internal systems and processes to ensure Cedar Woods is appropriately set up for the future.

The ongoing assessment by our Audit & Risk Committee of the risk factors that may affect the Company in the short and medium term, keeps us alert to emerging matters and suitably equips us to navigate them effectively.

Over the years Cedar Woods has established a reputation for strong governance, through the recruitment and retention of a skills-based Board with appropriate independence, especially across its various committees. This reputation was tested in recent months when one of our independent directors was required to take leave of absence due to health issues.

Fortunately, we were in the enviable position of having two exceptionally skilled, independent directors available to step up and chair the Audit & Risk and Human Resources & Remuneration Committees, and I thank them for their continued support.

With a shared commitment to developing sustainable communities for our customers, and delivering consistent returns for our shareholders, it is my privilege to thank Nathan and his team for their valuable contribution to Cedar Woods, and congratulate them on delivering a record profit and positioning the Company for further growth.

On behalf of the Board, I also take this opportunity to thank our loyal and longstanding shareholders for their support and we look forward to serving you over the next 12 months.

Sincerely,



William Hames
Chairman

Letter from the Managing Director



“Our vision – to be the best Australian property company renowned for performance and quality – is a constant in everything we do”



The 2019 financial year has seen the achievement of some record results for Cedar Woods, with the adherence to our Strategic Priorities fundamental to our success.

These priorities have kept us focused, supporting the successful execution of our diversification strategy – by geography, product type and price point – and demonstrated through revenue contributions from projects across all four states in which we operate for the first time.

Financially, this has resulted in record sales of \$375.9 million (up 56 per cent), record net profit of \$48.6 million (up 14 per cent) and 13 per cent growth in earnings per share for the 2019 financial year. With a full year dividend of 31.5 cents, we have delivered a sound 5.3 per cent return to our highly valued shareholders.

Core to our strategy is creating a positive culture in which people can thrive. This has created a competitive advantage that is almost impossible to replicate.

In my two years as Managing Director, I am regularly reminded of Cedar Woods' total commitment and alignment, at all levels of the team, to who we are, why we exist, our purpose, company vision and our values.

Our vision – to be the best Australian property company renowned for performance and quality – is a constant in everything we do and manifests itself through examples such as

- Bushmead estate in WA, recognized by industry with the prestigious 2018 UDIA Environmental Development Chairman's Choice award for WA
- Strong EPS growth and total shareholder returns relative to peer companies and benchmark indices such as the S&P Small Industrials Index (XSIAL) over the last 3 years

Customer surveys during the year produced pleasing results. Our aim to deliver innovative products with lasting quality is recognised by our customers, and this showed through at Glenside in Adelaide when our first customers were recently handed the keys to their homes.

During the year we have focused on streamlining our systems as part of our journey to achieving Operational Excellence, including updating technology throughout the business and integrating financial systems, and we will continue to seek opportunities to innovate and lead in our sector.

We enter the new financial year in a strong position, both operationally and financially, with more than 9000 lots/units in our development pipeline and \$330 million of presale contracts in place, which is \$10 million higher than the same time last year.

Given the continued market uncertainty, this is significant, and provides the confidence to our funding partners and for Cedar Woods to seek out and assess further growth opportunities.

With active projects across Queensland, South Australia, Victoria and Western Australia, it's an exciting time to be a part of the Cedar Woods journey and a privilege to lead such a high-performing team.

I thank the Board for its continued support, the staff for their commitment, and I look forward to more shared success in the 2020 financial year and beyond.

Sincerely,



Nathan Blackburne
Managing Director

Financial Performance Highlights

Net Profit

\$48.6m

↑ Up 14%



Total Revenue

\$375.9m

↑ Up 56%



Earnings Per Share

60.9c

↑ Up 13%



Full Year Dividends

31.5c

↑ Up 5%





Return On Equity

12.9%

Above company benchmark



Total Shareholder Return

5.3%

Sound shareholder returns



Presales Contracts

\$330m

↑ Up \$10m



Net Bank Debt to Equity

28.0%

At the lower end of target range

Our Business

Our History

Cedar Woods was established in 1987 and listed on the ASX (Code: CWP) in 1994. Starting out as mainly a developer of master planned communities in Western Australia, the company progressively branched out into new product areas and geographies. The company expanded into Melbourne in 1997, then Brisbane in 2014 and Adelaide in 2016 and now has a significant portfolio of quality developments delivering residential lots, townhouses, apartments and commercial projects.

The company is known for taking on complex, large scale projects, adding value through planning design and delivery and generating strong returns from multi-year projects. As a result, it has built a reputation as an innovative and diversified property company with a track record of strong financial performance, sustained since inception.

Our Purpose, Vision & Values

Our Purpose, Vision and Values inform every decision we make, guide our conduct internally and our relationships with partners, customers and investors.

We are proud to be a leading national property developer, and with an ongoing commitment to our strategy and our values, we look forward to fulfilling our vision of becoming the best Australian property company, renowned for performance and quality.



Our Strategy

Our strategy is to grow 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.



Geography

Good geographic spread of well located projects in 4 states.



Product Type

Range of housing lots, townhouses, apartments and office products.



Price Point

Wide range of price points offered with Western Australia, South Australia and Queensland offering good affordability.

Value Creation Model

We deliver on our strategy via our value creation model.



Property Acquisitions

Disciplined approach to acquisitions

- Tactical and research based decisions to identify projects
- Rigorous assessment and conservative assumptions
- Structure contracts to minimise risks and optimise returns



Development

Research, design, planning and delivery

- Sustainable designs that optimise quality, functionality, environmental outcomes and returns
- Collaborative approach with community and authorities
- Negotiate deliverable and speedy approvals
- Structure contracts to minimise risks
- Manage construction closely



Marketing & Sales

Integrated approach to optimise results

- Positioning projects to maximise demand
- Pre-sell to underwrite projects
- Quality brands and marketing material
- Lead generation and sales conversion
- Customer nurturing and referrals

Strategic Priorities

We optimise business performance through a focus on four strategic priorities.

High Performance Culture

Creating a progressive, high-spirited work environment with strong staff alignment to values and objectives, where top talent work collaboratively and high performance is rewarded.



Operational Excellence

Being operationally strong and safe through renewed and integrated systems and technologies, and having a strong corporate brand with quality projects.



Financial Strength

Optimising performance through disciplined capital management, a commercial focus, cost minimisation and maintaining a strong balance sheet.



Earnings Growth

Pursuit of earnings growth is the key metric to achieve our primary objective of creating long-term value for our shareholders. This may be achieved organically, by mergers and acquisitions or through new business areas.



Strategic actions, which change over time, are determined under each of these priority areas and are implemented throughout the business.

Governance

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

Cedar Woods has taken the opportunity to publish the Corporate Governance Statement on its website rather than include it in the Annual Financial Report. A copy of the Corporate Governance Statement and related documents can be downloaded from the 'Our Company' section of the website www.cedarwoods.com.au.

Other information available under the Governance section of the website includes:

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

Financial and Operating Review

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

Financial Review

The following summarises the results of operations during the year and the financial position of the consolidated entity at 30 June 2019:

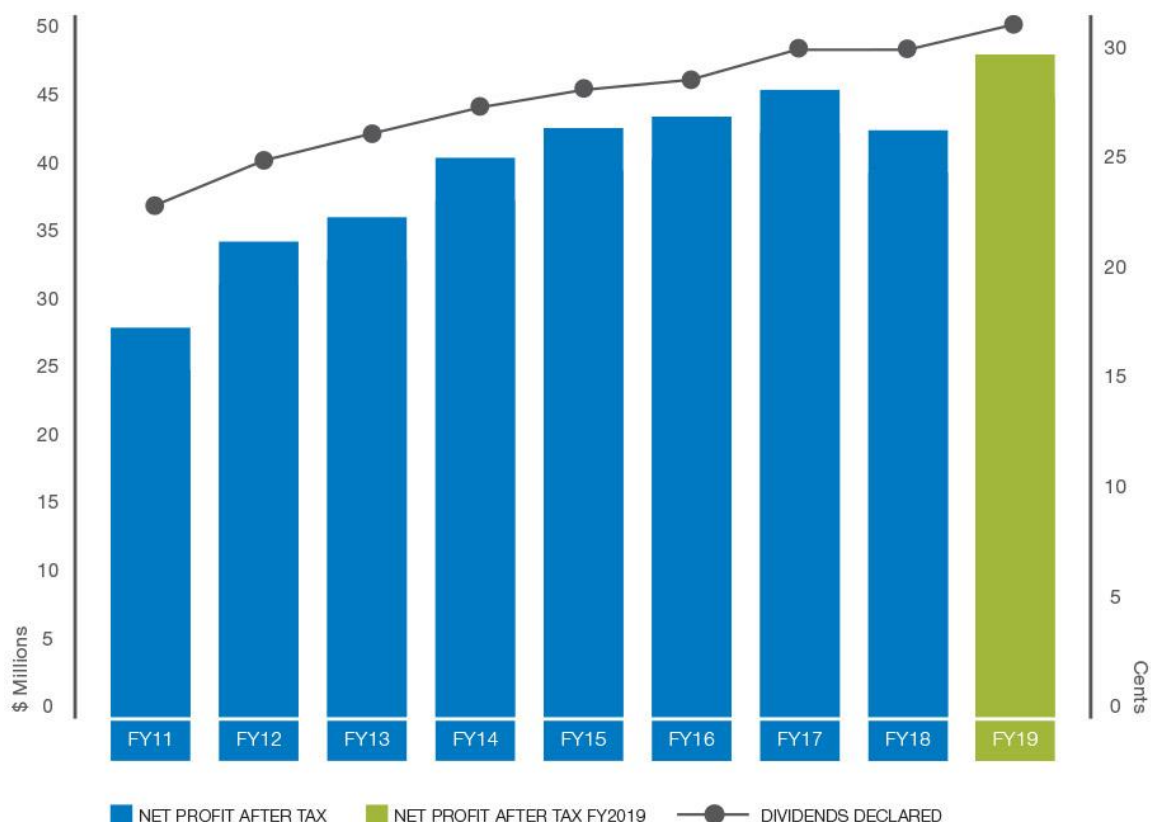
2019 financial highlights

- Record net profit of \$48,644,000, up 14.2 per cent on the prior year
- Total dividends of 31.5 cents per share, up 5.0 per cent, generating a fully franked yield of 5.5 per cent
- Strong earnings per share of 60.9 cents, up 13.0 per cent on the prior year
- Low level of bank debt and strong interest cover
- Total shareholder return of 5.3 per cent

Net profit after tax (NPAT) and dividends

In FY2019, the company delivered a record profit of \$48.6 million, an increase of 14.2 per cent over the prior year. This returned the company to a trend of profit growth over the last nine years, after a dip in FY2018, and dividends declared growing from 23.0 cents to 31.5 cents per share over the same period.

NPAT and Dividends declared since FY11



2019 financial results summary

Year ended 30 June	2019 \$'000	2018 \$'000	% Change
Revenue (2018 restated)	375,857	240,495	56.3%
Net profit after tax (NPAT)	48,644	42,603	14.2%
Total assets	571,711	601,516	(5.0%)
Net bank debt	105,314	109,134	(3.5%)
Shareholders' equity	376,530	353,186	6.6%

Key performance indicators

Year ended 30 June		2019	2018	% Change
Basic earnings per share	¢	60.9	53.9	13.0
Diluted earnings per share	¢	60.6	53.7	12.8
Dividends per share – fully franked	¢	31.5	30.0	5.0
Return on equity	%	12.9	12.1	0.8
Return on capital	%	14.9	14.1	0.8
Total shareholder return (1 year)	%	5.3	16.5	(11.2)
Net bank debt to equity – 30 June	%	28.0	30.9	(2.9)
Net bank debt to total tangible assets (less cash)	%	18.9	18.9	0.0
Interest cover	x	8.6	8.5	1.2
Net asset backing per share – historical cost	\$	4.70	4.44	5.9
Shares on issue – end of year	'000	80,118	79,517	0.8
Stock market capitalisation at 30 June	\$'000	456,671	458,015	(0.3)
Share price at 30 June	\$	5.70	5.76	1.0

Financial year overview

During FY2019, challenging market conditions persisted in most Australian property markets, with significant falls in house prices experienced in Melbourne and Sydney, while other state markets were subdued, with pricing more stable. The company continued to complete counter-cyclical acquisitions, with land for new projects acquired at Brabham and Subiaco in Western Australia.

Revenue was 56 per cent higher than the prior year mainly due to the settlement of the Target Head Office in December 2018, an eight per cent increase in product settled and a higher proportion of apartments and townhouses, which have a higher price point than land lots. Gross margin remains strong at 29 per cent although compressed from 41 per cent in the prior corresponding period (pcp) as a result of changes to product mix and some discounting. Consequently, there was a 14.2 per cent increase in NPAT for the year.

The year closed with a full year net profit of \$48.6 million and basic earnings per share of 60.9 cents, an increase of 13.0 per cent on the previous year. The Board has declared a full year dividend of 31.5 cents per share. This is consistent with the Board's policy of distributing approximately 50 per cent of full year net profit to shareholders, providing a high-yield return of approximately five per cent at year end.

Return on equity of 12.9 per cent and return on capital of 14.9 per cent were above the company's benchmarks of 10 per cent and 12 per cent respectively.

The one-year total shareholder return was 5.3 per cent, supported by the strong dividend yield.

Capital Management

At 30 June 2019, net bank debt stood at a conservative \$105 million. Net bank debt-to-equity at 30 June 2019 was 28 per cent, at the lower end of the company's target debt to equity range of 20-75 per cent. Net debt to total tangible assets less cash was 18.9 per cent at year end and interest cover was at a favourable 8.6 times.

The dividend reinvestment and bonus share plans have been reintroduced for the FY2019 final dividend to be paid in October 2019.

Operational Review

Corporate Objectives and Progress on Strategy

Cedar Woods' primary purpose is to create value for shareholders through the development of vibrant communities and deliver consistent growth in net profit and earnings per share. This year, the company reported a full year net profit after tax of \$48.6 million and total fully franked dividends of 31.5 cents for FY2019.

The overarching strategy, as illustrated on page 11, 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 strategy is delivered through the operation of our value creation model, as illustrated on page 11, and discussed further below.

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

The Corporate Plan sets out a number of key action items under each strategic priority focused on achieving the primary purpose and addressing key risk factors. These key actions are implemented as performance targets by senior executives, sales managers and other employees.

Market Conditions

FY2019 was characterised by soft market conditions across most states, attributed to tighter home lending criteria, tax policy uncertainty and the distraction of the 2019 Federal election. These factors dampened enquiry and sales for the Company around the country.

Two recent interest rate reductions, regulatory easing, the Federal election result and improved sentiment are all serving to support housing nationally and conditions are expected to improve in some markets over the next 12 months. The extent of improvement will depend mainly on finance availability to homebuyers. The above factors further support other positive sector drivers such as population growth and stable employment conditions.

Several market analysts have forecast conditions to stabilise through the remainder of calendar year 2019 with improving conditions leading to a return to moderate pricing growth in 2020.

BIS Oxford Economics is predicting median house price increases between 2019 and 2022 of 7 per cent for Perth and Melbourne, 11 per cent for Adelaide and as high as 20 per cent for Brisbane. The company's outlook for median house price growth is that it will occur more gradually.

The Housing Industry Association (HIA) has forecast solid increases to housing starts in Western Australia and South Australia over FY2020 and FY2021. A decline in housing starts is forecast for New South Wales, Victoria and Queensland.

Cedar Woods' diversified portfolio ensures it is positioned to perform well through different property cycles across state markets.

Project Pipeline Chart as at 30 June 2019

PROJECT NAME	CORRIDOR / LOCATION	PROJECT TYPE	LOT/UNITS PROJECT	LOTS/UNITS REMAIN	FY20	FY21	FY22	FY23	FY24	FY25
WESTERN AUSTRALIA - PERTH										
Mariners Cove, Mandurah	South	Residential Land	982	25						
Ariella, Brabham	North East	Residential Land	872	505						
The Brook at Byford	South East	Residential Land	428	230						
Rivergums, Baldivis	South	Residential Land	1,414	349						
Byford on the Scarp	South East	Residential Land	276	167						
Karmara, Piara Waters	South East	Residential Land	154	57						
Forrestdale	South East	Residential Land	295	295						
Bushmead	East	Residential Land	954	744						
Millars Landing, North Baldivis	South	Residential Land	1,610	1,554						
Pinjarra	South	Residential Land	1,080	1,080						
WESTERN AUSTRALIA - REGIONAL										
Elements South Hedland	Pilbara	Residential Land	136	2						
WESTERN AUSTRALIA - "JV" PROJECTS										
Cedar Woods Wellard (Emerald Park)	South	Residential Land	665	64						
Batavia Coast Marina Apartments	Mid-West	Apartments	54	7						
Harrisdale Green	South East	Residential Land and Townhouses	482	278						
Western Edge, South Hedland	Pilbara	Residential Land	600	600						
				5,957						
VICTORIA - MELBOURNE										
Carlingford, Lalor	North	Residential Land	580	67						
St A, St Albans	North West	Townhouses	249	204						
Jackson Green, Clayton South	South East	Townhouses and Apartments	291	90						
Jackson Green, Clayton South	South East	Gardenia Apartments	74	64						
Jackson Green, Clayton South	South East	Huntington Apartments	165	165						
North Melbourne	North West of CBD	Townhouses	15	15						
Williams Landing	West	Residential Land, Townhouses, Apartments	2,263	209						
Williams Landing	West	Lancaster Apartments	42	1						
Williams Landing	West	Lincoln Apartments	125	125						
Williams Landing	West	Victorian State Government Office	1	1						
Williams Landing	West	95 Overton Road Office	1	1						
Williams Landing	West	111 Overton Road Strata Offices	48	2						
Williams Landing	West	101 Overton Road Strata Offices	74	74						
Williams Landing	West	Future Apartments / Offices	344	241						
Williams Landing	West	Commercial (20 hectares)								
				1,259						
QUEENSLAND - BRISBANE										
Woolloowin	Inner North	Townhouses and Apartments	279	279						
Ellendale, Upper Kedron	North West	Residential Land	900	621						
				900						
SOUTH AUSTRALIA - ADELAIDE										
Glenside	Inner South East	Townhouses and Apartments	1,018	986						
Fletcher's Slip, Port Adelaide	North West	Townhouses and Apartments	502	502						
				1,488						
TOTAL GROUP				9,604						

Planning, Design & Rezoning
Development & Sales
Leasing, Development & Sales

Portfolio Highlights

Cedar Woods' strategy to grow a national project portfolio diversified by geography, product type and price point continues to prove successful. In FY2019:

- Settlements were achieved from all four states in which the Company operates for the first time (Victoria, Queensland, South Australia, Western Australia);
- Multiple product types contributed to earnings including residential lots, townhouses, apartments and office developments; and
- A variety of price points were offered across the portfolio appealing to a broad customer base.

Specific highlights include:

- Expansion into South Australia is progressing well, with the first residents moving in to the initial stage of *Glenside* townhouses in FY2019. The first apartment building at *Glenside, Botanica Apartments*, is under construction with completion anticipated mid calendar year 2020. The Company's second project in South Australia, *Fletcher's Slip*, is achieving good townhouse presales with site preparation works underway and first settlements due in FY2022.
- In Victoria, townhouse project settlements are in full swing with a number of stages completed and settled in FY2019 at *St A.* and *Jackson Green*.
- Settlement of the Target Head Office building at *Williams Landing* occurred in December 2018 and the fully leased and presold 107 Overton Road office development is on track for completion in FY2020.
- Strata office development product successfully being delivered with 111 Overton Road strata offices completed and settled in June 2019 and 101 Overton Road, currently under construction with settlements scheduled for the 2020 calendar year.
- An increase in the number of commercial and residential projects in progress at the Company's mixed use, masterplanned development at *Williams Landing* in Victoria, with a significant pipeline of projects to come.
- Strong sales at the *Ariella Estate* in Brabham, WA.

Delivering on Strategic Priorities

The Company continues to deliver on its four strategic priorities of a High Performance Culture, Operational Excellence, Financial Strength and Earnings Growth.

High Performance Culture

Significant activities have been undertaken in FY2019 to refine our business culture and human resources practices creating a high-spirited work environment. Reward and performance management systems have been restructured to better align reward with performance and strong accountability and delegation systems were also put in place optimising and balancing appropriate oversight and staff empowerment. High staff engagement scores were recorded in surveys during the year.

Operational Excellence

Management continues to implement new technologies and systems that will generate efficiencies and provide a better platform for growth. A new budgeting system has recently been implemented and further finance system enhancements are planned for completion in FY2020, largely completing the Company's digital transformation program. High quality projects have been delivered across the portfolio and the Company's work health safety (WHS) systems have resulted in a strong safety record across projects and offices.

Financial Strength

In June 2019 the Company announced it had modified and extended its corporate finance facility. The changes include the introduction of National Australia Bank (NAB) to the \$205 million facility, as well as longer facility tenure with the previous three-year facility now comprising a mix of three and five-year debt. NAB joins ANZ and Bankwest as club facility lenders to the Company.

The introduction of a third bank to the club facility diversifies the Company's funding sources and the longer maturity date for approximately 20 per cent of the facility limit, further enhances Cedar Woods' security of funding. The facility supports the Company's expanded operations and growth plans.

Earnings Growth

Cedar Woods' strategically located projects across four states and its diversified product mix positions the Company to perform well through varying property market cycles.

The Company made three strategic acquisitions in Western Australia in 2019, capitalising on attractive buying conditions in the state.

- During FY19 the Company successfully acquired a parcel of land adjoining the *Ariella* estate in Western Australia which will add 380 lots and several years to the life of this project. *Ariella* has been the Company's highest-selling project nationally during FY19.
- Cedar Woods acquired the 1.4 hectare Subiaco TAFE site in Western Australia, with the intention of delivering a significant urban renewal project comprising townhouses and apartments.
- The Company also acquired a small parcel of land adjoining its *Karmara* estate in Perth, extending the life of this successful project.

The Company plans to continue to take advantage of relatively favourable buying conditions as development finance proves difficult to secure for some property developers and the property cycle justifies buying in several markets. Cedar Woods is currently assessing a number of acquisition opportunities in Queensland, Victoria and Western Australia.

Outlook

While Cedar Woods has a good level of presales to be carried into future financial years, the national property market has been challenging over the past six months. Based on current market conditions we are anticipating moderately lower full year earnings in FY20 compared to FY19.

Cedar Woods remains well placed for the medium term with more than 9,000 undeveloped lots/units in its development pipeline across four states, with the ability to respond quickly to improved market conditions.

A number of new projects are expected to contribute to earnings from FY21, including *Huntington* apartments in Victoria, *Ariella* (adjoining parcel) and *Solaris* in Western Australia, and *Wooloowin* in Queensland. Further acquisitions are anticipated to supplement the portfolio for future years.

Risks

The Board has established the Audit and Risk Management Committee as responsible for risk oversight and ensuring that internal control systems are in place to identify, assess, monitor and manage risk. During the year the Risk Management Framework was comprehensively reviewed and updated to support the integration of risk management within the business and to support a culture committed to building long term sustainable value for stakeholders.

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 stance of other regulatory bodies such as APRA, 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). Demand fluctuations 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 company aims to balance its portfolio at any time in favour of mature projects where the project risks are generally diminished.

The risk management framework also seeks to address a range of other risks that impact the business, such as economic and political risks, competition for staff and project opportunities, and cyber risks.

Sustainability and Social Responsibility

Cedar Woods does more than create vibrant communities. We are proud of our reputation for being environmentally and socially responsible and we continue to look for ways to: reduce our ecological footprint; optimise urban growth; promote affordable housing; respect indigenous and cultural heritage; stimulate economic investment and jobs; foster cooperative stakeholder relationships and activate the communities we create. This is all done in a safe work environment for all who work on Cedar Woods projects.

This section updates our progress towards on sustainability and community outcomes and allows us to communicate key achievements to those affected by our actions.

Optimising Land Use: deliver the best use of land by optimising land use mix, product diversity and yield in the context of high quality urban places

By the nature of our business, a key outcome of our project delivery is to assist with the residential and commercial land supply in line with the Perth, Melbourne, Brisbane and Adelaide strategic planning frameworks. The company has developed a proven model for delivering quality, medium-density projects in middle and inner suburbs.

Projects are strategically located near amenities and infrastructure, with some 9,000+ lots / dwellings in the pipeline, across 30 projects.

Highlights and Achievements

- Cedar Woods projects contribute to residential and commercial land supply, consistent with Perth, Melbourne, Brisbane and Adelaide strategic planning frameworks. The national portfolio consists of 34 projects with more than 9,000 land (34%), townhouse (31%), apartment (25%) and commercial (10%) products to be delivered.
- Many projects transform urban spaces into vibrant communities, focusing on urban regeneration and strategic infill development. *Williams Landing*, *Fletcher's Slip*, *Woolloowin* and *St. A* are all oriented around strategic public transport nodes which offer high accessibility and close proximity to employment centres.
- The Target Head Office building at *Williams Landing* town centre opened at the end of 2018. It marks the first of a significant pipeline of commercial projects. *111 Overton Road* strata offices were completed in June 2019. The *107 Overton Road* office development, which is fully leased to the Victorian State Government and pre-sold, is expected to be completed in FY2020. A fourth office building, *101 Overton Road*, is now under construction with strata office unit settlements anticipated next year.
- *Ellendale* is transforming underutilised rural land and provides residential housing which complements established residential areas and capitalises on existing transport and service infrastructure.

Housing Diversity & Affordability: promote equality of access to housing

Highlights and Achievements

- Tailored affordable housing initiatives are included in partnership projects with state government, such as *Harrisdale Green* and *Glenside*. *Glenside* will provide 15 per cent affordable housing.
- This year saw the launch of the 'Built On' initiative at *The Brook at Byford* which will deliver quality affordable housing and lower entry price-points to live in the estate.
- *Williams Landing* continues to provide housing diversity. *Lancaster Apartments* offer one and two-bedroom apartments. One hundred percent presales demonstrate the strong demand for affordable product in the Melbourne market.

Heritage: respecting indigenous and cultural heritage

Highlights and Achievements

- *Woolloowin* contains two historic heritage-listed buildings, the former Holy Cross laundry building (1889), Queensland's oldest recognisable institutional laundry, and The Holy Cross Convent (1912). Progress has been made this year on the restoration of both heritage buildings to their original form.

Environment and Climate Change: enhance and rehabilitate environmental assets; remediate contamination; promote total water cycle management; and encourage energy efficiency

Highlights and Achievements

- *Bushmead* is our first project to achieve full UDIA EnviroDevelopment accreditation. Initiatives include significant revegetation in the 187 hectares given up for conservation and significant tree retention in the urban areas. *Bushmead* has been recognised for its environmental excellence with industry awards.
- Ellendale will see the dedication of 90 hectares for a green-space corridor. Rehabilitation works including revegetation, restoration of habitat linkages and improved wildlife movement networks progressed throughout the year.
- At *Karmara* work continued on the restoration of the adjoining nature reserve, including revegetation and maintaining wildlife movement networks. Rehabilitation maintenance will continue for another two years.
- *Jackson Green* townhouses incorporate many significant energy, water and conservation measures. Many exceed a 6.5-star energy rating.

Stakeholder Engagement: position Cedar Woods as a competent and trustworthy joint venture partner; a valuable contributor to the property industry and to engage respectfully with stakeholders

Highlights and Achievements

- Cedar Woods is a valued and trusted joint venture partner. Current partnership projects include *Harrisdale Green* (WA Department of Communities) and *Glenside* (Renewal SA) and are reinforced with professional, transparent and quality decision-making.
- Cedar Woods remains committed to collaborating with all levels of government, the property industry, local community, stakeholders and customers to achieve the best possible project outcomes. Active engagement strategies were undertaken at *Ellendale* and *Wooloowin* to advance planning approvals. Rezoning for *Ellendale* was completed 1H FY2019. At *Glenside* and *Fletcher's Slip* extensive community consultation has helped shape the final project masterplans.
- Cedar Woods maintains membership and participation with key industry advocacy groups such as the Property Council and Urban Development Institute of Australia.

Occupational Health and Safety: providing a safe working environment for all staff and stakeholders

Highlights and Achievements

- Cedar Woods maintains its high commitment to workplace safety. The company is preparing for the introduction of the Model Work Health and Safety Act as it is enacted across Australia to harmonise workplace Health and Safety law.

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

Highlights and Achievements

- The Neighbourhood Grants Program has donated over half a million dollars to support a range of local community projects, such as funding for new equipment, uniforms, community events, wildlife protection and environmental improvement. The Program continues to be rolled-out across the portfolio.
- Communities at *The Brook at Byford*, *Byford on the Scarp*, *The Rivergums* and *Williams Landing* enjoyed neighbours coming together for Neighbourhood Movie Nights. Attendance is always high and resident feedback is positive.
- Cedar Woods again sponsored the Wyndham Business Awards this year. The City of Wyndham has the highest incidence of business registrations of any Victorian municipality, which bodes well for the future of Williams Landing Town Centre. *Williams Landing* hosted a variety of community events including a circus and food truck carnival.
- At *Ellendale* the opening of a new park was celebrated with games, ice-cream and live music. Other events saw residents contributing to local environmental initiatives.

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.

On 1 July 2019 our Lead Independent Director, Ron Packer, took a leave of absence from the Board for health reasons. In Mr Packer's absence the following appointments were made as Acting Chairs of Board committees, effective 1 July 2019:

- Independent director Jane Muirsmith was appointed as Acting Chair of the Audit & Risk Management Committee;
- Independent director Valerie Davies was appointed as Acting Chair of the Human Resources & Remuneration Committee; and
- Deputy Chairman Robert Brown was appointed as Acting Chair of the Nominations Committee.

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



William Hames
Chairman



Nathan Blackburne
Managing Director

Directors' Report

Your directors present their report on the consolidated entity consisting of Cedar Woods Properties Limited ('the company' or 'Cedar Woods') and the entities it controlled (together 'the consolidated entity' or 'group') at the end of, or during, the year ended 30 June 2019.

a) Directors

The following persons were directors of Cedar Woods 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 (Lead Independent Director)

Valerie Anne Davies (Independent Director)

Jane Mary Muirsmith (Independent Director)

Nathan John Blackburne (Managing Director)

The qualifications, experience and other details of the directors in office at the date of this report appear on pages 23 to 25 of this report.

b) Principal activities

The principal continuing activities of the consolidated entity in the course of the year ended 30 June 2019 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:

	2019 \$'000	2018 \$'000
Final fully franked ordinary dividend for the year ended 30 June 2018 of 18.0 cents (2017 – 18.0 cents) per fully paid share, paid on 26 October 2018 (2017 – 27 October 2017)	13,892	14,200
Interim fully franked ordinary dividend for the year ended 30 June 2019 of 18 cents (2018 – 12.0 cents) per fully paid share, paid on 26 April 2019 (2018 – 27 April 2018)	14,421	9,182
	28,313	23,382

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of \$10,815,899 (13.5 cents per share) to be paid on 25 October 2019 out of retained earnings at 30 June 2019.

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 13 of this annual financial report.

e) Business strategies and prospects for future financial years

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

Cedar Woods is well positioned moving into FY2020 with strong pre-sales, modest debt, substantial funding capacity and a diverse portfolio of well-located developments in Melbourne, Brisbane, Perth and Adelaide.

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

In July 2019 the company completed the annual review of its corporate finance facility resulting in an 18-month extension and modified terms. The changes include the introduction a third lender to the \$205 million facility as well as longer facility tenure, with the previous three year facility now comprising a mix of three year and five year debt.

In August 2019 the company completed due diligence and went unconditional on its contract to acquire 133 Salvado Road, Subiaco, a 1.4 hectare former TAFE site located 4.7km from Perth. The \$15.05m (plus GST) acquisition will settle in July 2020.

Other than the above, no matters or circumstances have arisen since 30 June 2019 that have significantly affected or may significantly affect:

- the consolidated entity's operations in future financial years; or
- the results of those operations in future financial years; or
- 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. 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-nine 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 and Acting Chair 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 for thirty years.

Other current listed company directorships and former listed company directorships in the last three years:
Luir 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 thirteen years and chairs all of the Board's committees. At the date of this report Mr Packer is on leave of absence from the Board.

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

Ms Valerie A Davies, FAICD

- Non-executive director
- Member and acting Chair of the Human Resources and Remuneration Committee
- Member of the Audit and Risk Management Committee
- Member of the Nominations Committee

Ms Davies, a leading communications advisor to numerous individuals and Tier 1 companies via her own consultancy One.2.One Communications Pty Ltd, has in parallel, over the past 20 years established herself as one of Western Australia's most experienced non-executive directors.

She currently serves on the boards of major entertainment, hospitality and leisure operator, Event Hospitality & Entertainment Ltd, as well as Tourism Western Australia.

Previous non-executive roles include HBF, Iluka Resources, ASG, and Integrated Group (now Programmed). 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. A member of CEW and a previous winner of the Telstra Businesswoman of the Year Award (WA) she has served as a Councillor and Vice President of the Australian Institute of Company Directors (WA division).

Ms Davies is a non-executive, independent Director and has served on the board for four years.

Other current listed company directorships and former listed company directorships in the last three years:
Event Hospitality & Entertainment Ltd.

Mrs Jane M Muirsmith, B Com (Hons), FCA, GAICD

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

Mrs Muirsmith is an accomplished digital and marketing strategist, having held several executive positions in Sydney, Melbourne, Singapore and New York.

She is Managing Director of Lenox Hill, a digital strategy and advisory firm and is a non-executive director of Australian Finance Group Limited (AFG), Healthdirect Australia and the Telethon Kids Institute.

Mrs Muirsmith is a Graduate of the Australian Institute of Company Directors and a Fellow of Chartered Accountants in Australia and New Zealand, with an audit and accounting background together with deep expertise in digital transformation. Mrs Muirsmith is a member of the Ambassadorial Council UWA Business School and is a former President of the Women's Advisory Council to the WA Government.

Mrs Muirsmith is a non-executive, independent Director and has served on the board for two years.

Other current listed company directorships and former listed company directorships in the last three years:
Australian Finance Group Limited.

Mr Nathan J Blackburne, BB (Curtin), AMP (Harvard), GAICD

- Managing Director, executive director

Mr Blackburne has worked since 1993 in various sectors of the property industry including valuations, asset management, commercial leasing and property development.

He commenced his career with Cedar Woods in 2002 with the mandate to establish and grow the company in Melbourne. Starting off as State Manager for Victoria, he later led the expansion of the company into Brisbane and Adelaide to become State Manager for Victoria, Queensland and South Australia.

In 2016, Mr Blackburne was appointed as Chief Operating Officer for the company and in September 2017 was appointed to the position of Managing Director.

Mr Blackburne has a Bachelor of Business degree majoring in Valuations and Land Economics and is a Graduate of the Australian Institute of Company Directors. He is also a Graduate of Harvard Business School in Boston having completed their Advanced Management Program. Mr Blackburne is a member of the Presbyterian Ladies College Masterplanning, Design & Infrastructure Committee.

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-five 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 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	10,246,965
Robert S Brown	7,982,584
Ronald Packer	167,859
Valerie A Davies	15,785
Jane M Muirsmith	10,523
Nathan J Blackburne	34,691

Nathan J Blackburne also has an interest in performance rights under the executive long term incentive plan, details of which are set out in the remuneration report within this report.

m) Committees of the Board

As at the date of this report Cedar Woods had the following committees of the Board:

Audit and Risk Management Committee	Human Resources and Remuneration Committee	Nominations Committee
J M Muirsmith (Acting Chair)	V A Davies (Acting Chair)	R S Brown (Acting Chair)
R S Brown	R S Brown	V A Davies
V A Davies	J M Muirsmith	J M Muirsmith

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 2019, 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:	14	5	4	1
W G Hames	14	*	3*	1*
R S Brown	13	1*	3	1
R Packer	14	5	4	1
V A Davies	13	5	4	1
J M Muirsmith	13	5	4*	1*
N J Blackburne	14	5*	4*	1*

* *Not a member of this committee.*

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

Dear Shareholders,

I am pleased to provide this letter setting out the highlights in relation to remuneration matters for FY2019. The Financial and Operating Review notes that Cedar Woods had another strong year, reporting a record profit and achievements across the various areas within the company's operations, as described in our "balanced scorecard" in section 4 of this report. The balanced scorecard sets out the company's FY2019 objectives and records performance against targets as assessed by the Board.

We continue to engage with shareholders and proxy advisors to ensure our policies and practices in relation to remuneration matters are both well described and appropriate for the company and its shareholders.

Review of the executive remuneration framework	In FY2019 the Committee commenced a review of executive remuneration levels and structures with the objective of furthering the transition towards a greater proportion of 'at-risk' pay for executives, thereby improving alignment with shareholder returns, as well as ensuring that remuneration levels and structures are competitive in an environment where the competition for talent is very high around the country. This process is being assisted by external consultants and will result in some adjustments to both the Short-Term Incentive Plan and the Long-term Incentive Plan, which will be detailed in the FY20 Remuneration Report.
Fixed remuneration	For FY2019 the Managing Director's (MD's) fixed remuneration was limited to 54% of his total package and was increased, based on market benchmarking information and in lieu of his successful transition to the role, having been appointed in September 2017 at a salary significantly lower than the previous incumbent. Whilst not guaranteed in his terms of employment, the transition to market-based remuneration was phased over two years. Other executives in continuing roles had average fixed remuneration increases in line with inflation, with remuneration packages aligned 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 strategy, the company continued with its balanced scorecard of measures for determining the STI awards for FY2019. Scorecard sections have been grouped into financial and non-financial categories, within the relevant strategic priority areas. Changes made to the STI plan in FY2019, noted in last year's remuneration report, are detailed below.
Long-term incentives ("LTIs")	<p>The LTI plan introduced in 2015 continues to operate and has two vesting conditions a) a three year service condition and b) two performance conditions measured over a three year period: 50 per cent 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 strategy.</p> <p>The relative TSR performance condition was chosen as it offers a means 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.</p> <p>For FY2020, the Board has approved the recommendation of the Human Resources and Remuneration Committee to amend the vesting schedule for the EPS component of the LTI Plan, details of which are set out in the section 'LTI Plan effective for FY2020 (from 1 July 2019)' on page 36 below.</p>
Non-Executive Director ("NED") fees	The potential maximum aggregate NED remuneration for FY2019 was \$750,000, as approved by shareholders at the FY2014 AGM. Chair and NED fees were increased by approximately 2% effective 1 July 2018 to provide an increase in line with CPI. Total NED fees paid for FY2019 were \$596,200.

The Remuneration Report provides information on the remuneration outcomes for FY2019.

It was pleasing to note that shareholders voted overwhelmingly in favour of the FY2018 Remuneration Report at the 2018 Annual General Meeting, with 97.4 per cent of votes cast in favour.

I look forward to answering any questions you may have at our 2019 Annual General Meeting on 6 November.

Yours faithfully,



Valerie A Davies

Acting Chair - Human Resources and Remuneration Committee

Directors' Report - Remuneration Report

The directors present Cedar Woods' FY2019 Remuneration Report which sets out remuneration information for the directors and other key management personnel ("KMP") for the year ended 30 June 2019.

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:		Page
o)	Introduction	28
p)	Remuneration governance	29
q)	Executive remuneration policy and framework	30
r)	Executive remuneration outcomes for FY2019 (including link to performance)	36
s)	Executive contracts	43
t)	Non-Executive Director fee arrangements	44
u)	Additional statutory disclosures	45

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 2019. Unless otherwise indicated, the individuals were KMP for the entire financial year. For the purposes of this report, the term "executive" includes the managing 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
V A Davies	Independent Non-Executive Director	Full year
J M Muirsmith	Independent Non-Executive Director	Full year
Executive Director		
N J Blackburne	Managing Director ("MD")	Full year
Senior Executives		
P Archer	Chief Operating Officer ("COO")	Full year
L M Hanrahan	Chief Financial Officer ("CFO")	Full year
P S Freedman	Company Secretary	Full year

Changes since last year

The position of State Manager that was included in KMP in the prior year, reports to the COO and is no longer included in KMP.

Changes since the end of the reporting period

There were no changes to KMP after the reporting date and before the date the annual 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.

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 Our Company/Governance link.

Use of remuneration advisors

During the year the Human Resources and Remuneration Committee commenced a process of reviewing the executive remuneration framework assisted by external consultants, further details of which are set out below. Remuneration benchmarking was obtained by the Committee during the reporting period.

The terms of engagement for the consultants included specific measures designed to protect their independence. The Human Resources and Remuneration Committee recognises that, to effectively perform its role, it is necessary for the consultants to interact with members of Cedar Woods’ management. However, to ensure the consultants remained independent, members of Cedar Woods’ management were precluded from requesting services that would be considered to be a ‘remuneration recommendation’ as defined by the *Corporations Act 2001*.

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 FY2018 Annual General Meeting (“AGM”)

At the company’s 2018 AGM, 97.4 per cent of eligible votes cast were in favour of the Remuneration Report for FY2018.

q) Executive remuneration policy and framework

The information contained within this section outlines the details pertaining to the executive remuneration policy and framework for FY2019.

i) Principles and strategy

Company objective
To create long-term value for shareholders through the development of vibrant communities



Remuneration strategy linkages to company objective	
<p>The Board ensures our approach to executive reward satisfies the following key criteria for good reward governance practices:</p> <ul style="list-style-type: none"> • Competitiveness and reasonableness • Acceptability to shareholders • Alignment of executive remuneration to company performance • Transparency of the link between performance and reward 	<p>Attract, motivate and retain high performing individuals:</p> <ul style="list-style-type: none"> • The remuneration offering rewards capability and experience • Reflects competitive reward for contribution to growth in shareholder wealth <p>The framework is aligned to shareholders' interests by having:</p> <ul style="list-style-type: none"> • STIs linked to current year performance and subject to clawback • LTIs linked to both long term external (relative total shareholder return ("TSR")) and internal (earnings per share ("EPS") growth) performance. 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	<p>Group and individual performance are considered during the annual remuneration review process</p> <p>No guaranteed fixed remuneration increases included in executives' contracts</p> <p>Fixed remuneration may be phased to market benchmark for new appointments, conditional on performance</p>
	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	Equity based LTI grants awarded in Performance Rights	Rewards executives for their contribution to the creation of shareholder value over the longer term	Vesting of 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 FY2019, 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. In recent years the Board has made gains in restructuring executive remuneration to provide a greater weighting of 'at risk' components within the total remuneration opportunity (remuneration mix) particularly for the MD and introduced an equity based LTI plan.

The Human Resources and Remuneration Committee will continue to review the balance of fixed versus 'at risk' pay in FY2020 with the objective of ensuring that the relative proportions continue to meet the expectations of shareholders and candidates in a market that is highly competitive for talent. Given this, it is anticipated that the weighting of 'at risk' components of executive pay will increase in FY2020.

Some variations may however occur year to year due to influencing factors such as changing market conditions.

The graphs below illustrate the remuneration mix for FY2019 compared to FY2018 and demonstrate the progress made this year in increasing the proportion of 'at risk' pay.

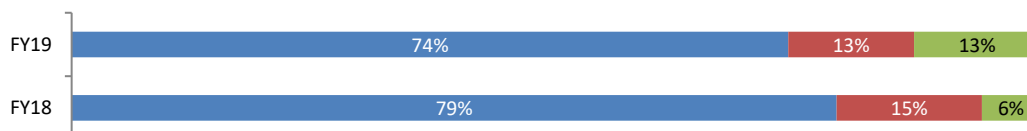
Managing Director



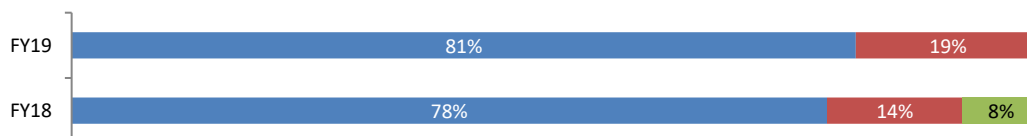
COO



CFO



Company Secretary



STI and LTI in red and green respectively in the above graphs are based on 100% of the target opportunity when remuneration levels are determined by the HR&R Committee. STI's awarded may exceed the target opportunity (refer to 'STI Plan effective for FY2019' below). LTI's may be awarded up to the target opportunity. Fixed remuneration is shown in blue in the above graphs.

iii) Details of incentive plans

Short-term incentives (STI)

STI Plan effective up to and including FY2018

Who participates?	Executives and key staff																																																																		
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 for FY2019 .																																																																		
What were the performance conditions for FY2019?	<p>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.</p> <p>The weightings that applied in FY2019 to components of the company's business model are set out in the table below:</p> <table border="1"> <thead> <tr> <th colspan="6">Weighting (%)</th> </tr> <tr> <th></th> <th>Strategic Priority</th> <th>MD</th> <th>COO</th> <th>CFO</th> <th>Company Secretary</th> </tr> </thead> <tbody> <tr> <td colspan="6">Financial</td> </tr> <tr> <td>Developments</td> <td>Operational excellence</td> <td>15%</td> <td>15%</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Sales and customer experience</td> <td>Operational excellence</td> <td>20%</td> <td>15%</td> <td>5%</td> <td>0%</td> </tr> <tr> <td>Financial performance</td> <td>Financial strength</td> <td>20%</td> <td>20%</td> <td>40%</td> <td>15%</td> </tr> <tr> <td>Business development</td> <td>Earnings growth</td> <td>20%</td> <td>25%</td> <td>15%</td> <td>20%</td> </tr> <tr> <td colspan="6">Non-financial</td> </tr> <tr> <td>People and culture</td> <td>High performance culture</td> <td>10%</td> <td>15%</td> <td>20%</td> <td>15%</td> </tr> <tr> <td>Shareholder engagement and satisfaction</td> <td>Operational excellence</td> <td>10%</td> <td>5%</td> <td>10%</td> <td>25%</td> </tr> <tr> <td>Risk management and sustainability</td> <td>Operational excellence</td> <td>5%</td> <td>5%</td> <td>10%</td> <td>25%</td> </tr> </tbody> </table> <p>Refer to section r) Executive remuneration outcomes for FY2019 for further details of performance outcomes for FY2019, and STI awards to KMP.</p> <p>The categories of 'Developments' and 'Sales and customer experience' involve close monitoring of revenues and financial expenditure. 'Business development' is regarded as a financial component as it is aimed at providing for future earnings and includes systems development. These, together with 'Financial performance' provide a significant weighting to overall financial performance.</p>	Weighting (%)							Strategic Priority	MD	COO	CFO	Company Secretary	Financial						Developments	Operational excellence	15%	15%	0%	0%	Sales and customer experience	Operational excellence	20%	15%	5%	0%	Financial performance	Financial strength	20%	20%	40%	15%	Business development	Earnings growth	20%	25%	15%	20%	Non-financial						People and culture	High performance culture	10%	15%	20%	15%	Shareholder engagement and satisfaction	Operational excellence	10%	5%	10%	25%	Risk management and sustainability	Operational excellence	5%	5%	10%	25%
Weighting (%)																																																																			
	Strategic Priority	MD	COO	CFO	Company Secretary																																																														
Financial																																																																			
Developments	Operational excellence	15%	15%	0%	0%																																																														
Sales and customer experience	Operational excellence	20%	15%	5%	0%																																																														
Financial performance	Financial strength	20%	20%	40%	15%																																																														
Business development	Earnings growth	20%	25%	15%	20%																																																														
Non-financial																																																																			
People and culture	High performance culture	10%	15%	20%	15%																																																														
Shareholder engagement and satisfaction	Operational excellence	10%	5%	10%	25%																																																														
Risk management and sustainability	Operational excellence	5%	5%	10%	25%																																																														
How is performance assessed?	<p>On an annual basis, after consideration of performance against set balanced scorecard objectives, the Chair of the Human Resource and Remuneration Committee recommends to the Board the amount of STI to be paid to the Managing Director.</p> <p>For senior executives, the Human Resource and Remuneration Committee will seek recommendations from the Managing Director before making its determination.</p> <p>The Human Resources and Remuneration Committee has the discretion to determine STI outcomes in the light of personal and company performance.</p>																																																																		
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.																																																																		

STI Plan effective for FY2019 (effective from 1 July 2018)

As noted in the FY2018 Remuneration Report, the company introduced changes to the STI plan, effective 1 July 2018. Key features of the current STI plan are set out below.

Why have a review of the STI plan?	Whilst the STI Plan has been effective, it has been further refined to reward staff for overachievement, limit the reward payable for underperformance and link better to the annual staff performance review process. Maintaining a high-performance culture is a Strategic Priority and the revised STI plan better serves this.												
Who participates?	Executives and key staff												
How is the STI delivered?	Cash												
What STI's are available and what are the performance conditions for FY2019?	<p>Each executive has a target STI opportunity depending on the accountabilities of the role and impact on organisational performance.</p> <p>The STI plan provides as follows:</p> <p>a) Up to 75% of the bonus based on personal performance, with the actual percentage awarded based on the executive's overall rating measured against personal objectives as determined in the annual performance review and using categories and percentages set out in the table below.</p> <table border="1" data-bbox="502 828 1340 1108"> <thead> <tr> <th>Overall Rating</th> <th>Incentive</th> </tr> </thead> <tbody> <tr> <td>5. Exceeded Expectations</td> <td>125% - 150%</td> </tr> <tr> <td>4. Overly Met Expectations</td> <td>100% - 125%</td> </tr> <tr> <td>3. Met Expectations</td> <td>80% - 100%</td> </tr> <tr> <td>2. Nearly Met Expectations</td> <td>50% - 80%</td> </tr> <tr> <td>1. Below Expectations</td> <td>0%</td> </tr> </tbody> </table> <p>b) Up to 25% of the cash incentive awarded based on the HR&R Committee's assessment of the company's overall performance using the Balanced Scorecard system referred to in section r) Executive remuneration outcomes for FY2019 below.</p> <p>In essence, the personal / company split changed from 50/50 in FY2018 to 75/25 in FY2019. This was implemented as part of the High-Performance Culture strategic priority area, to place greater emphasis on individual performance contributions rather than overall Company performance in the STI plan.</p> <p>Performance ratings of up to 150% of the STI opportunity were also introduced to further encourage and reward personal performance when it exceeds expectations.</p> <p>Although a record profit and strong EPS and TSR growth was delivered for shareholders in FY19, no executive received more than 94% of their STI opportunity in FY2019.</p> <p>The greater focus of the STI on personal performance was also deemed appropriate to attract and retain executives.</p> <p>Actual STI payments to each executive depend on the extent to which specific targets set at the beginning of the financial year for that executive are met, with regard to both company and individual performance.</p>	Overall Rating	Incentive	5. Exceeded Expectations	125% - 150%	4. Overly Met Expectations	100% - 125%	3. Met Expectations	80% - 100%	2. Nearly Met Expectations	50% - 80%	1. Below Expectations	0%
Overall Rating	Incentive												
5. Exceeded Expectations	125% - 150%												
4. Overly Met Expectations	100% - 125%												
3. Met Expectations	80% - 100%												
2. Nearly Met Expectations	50% - 80%												
1. Below Expectations	0%												
How is performance assessed?	<p>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.</p> <p>For senior executives, the Human Resource and Remuneration Committee will seek recommendations from the MD before making its determination.</p> <p>The Human Resources and Remuneration Committee has the discretion to determine STI outcomes in the light of personal and company performance.</p>												
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.												
What happens in the event of change of control	For the Managing Director, eligibility to receive a STI in any financial year will not be affected if he resigns from employment because, following a takeover or substantial change of control of the company, there is a material variation or diminution of his position, duties, reporting structure or status. In those circumstances the Managing Director will remain eligible to receive the STI subject to any performance conditions being tested and satisfied in accordance with terms set by the Board.												

Long-term incentives (LTI)

LTI plan effective up to 30 June 2019

The LTI plan was introduced effective 1 July 2015. Key features of the LTI plan are as follows:

Why have a LTI plan?	The LTI plan builds a sense of business ownership and alignment which benefits all shareholder interests. It encourages a greater focus on sustainable long-term growth and seeks to 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. The maximum LTI for each KMP is detailed in section r) Executive remuneration outcomes for FY2019 .
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. At the discretion of the Board the LTI awards may be satisfied in cash rather than shares by payment of the cash equivalent value.
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 target LTI opportunity outlined in the prior section. For the LTI, the target opportunity is the maximum opportunity. 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 2019 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 2018 to 30 June 2021), 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 rights: <ul style="list-style-type: none"> • 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 rights 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 rights 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 rights 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.
Can a participant deal with or trade their performance rights before vesting?	A participant cannot enter into any scheme, arrangement or agreement (including options and derivative products) under which the participant may alter the economic benefit to be derived from any unvested rights.
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 included in this index. 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 and is an appropriate hurdle as it aligns the experience of shareholders and executives.

This index was chosen, rather than a peer group, as there are a limited number of companies with similar operations and in recent years the number of these has reduced even further through takeovers (e.g. Australand, CIC and Villa World) and changes to business models and operations (e.g. Aveo and Devine).

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:

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

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 company's Corporate Plan, particularly with reference to the most recent internal five-year forecasts;
- The level of stretch associated with those Corporate 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%

LTI plan effective for FY2020 (from 1 July 2019).

As noted in section [p\) Remuneration Governance](#), the Human Resources & Remuneration Committee reviewed the remuneration framework with advice from external consultants. While the review of the framework is ongoing, changes to the LTI Plan have been proposed for FY2020.

How is performance assessed and rewarded against the hurdles under the changes?	<p>The awards will continue to be subject to two equally weighted performance conditions which operate independently, so that awards can be made under either or both categories.</p> <p>Relative TSR hurdle (50%): The relative TSR hurdle described in the previous section is unchanged for FY2020.</p> <p>EPS compound annual growth rate (50%): From 1 July 2019 the target range in the EPS vesting schedule will be reviewed on an annual basis. The relevant inputs when setting the EPS target range will be:</p> <ul style="list-style-type: none"> • 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 Corporate Plan targets; • Any earnings guidance that has been provided to the market; • Shareholder and analyst (individual and consensus) expectations; • The rate of growth in the Australian economy and the performance of the property sector. <p>The Human Resources & Remuneration Committee will consider the appropriate EPS target range and the level of payout if targets are met for the Executives. This may include setting any maximum payout under the LTI plan and minimum levels of performance to trigger payment of LTI.</p> <p>All other key terms of the LTI plan remain unchanged.</p>
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Changes were made to the LTI plan for the following reasons:

- Improving the LTI plan supports the objective of increasing the weighting of 'at-risk' components of executive remuneration, as outlined in section [g\) ii\) Approach to setting remuneration](#).
- To ensure that a significant component of at-risk remuneration is equity based, thereby increasing the 'skin in the game' held by the company's executives over time.
- It was deemed important that performance targets remain relevant, challenging and achievable in the current economic and market conditions.
- The Company's previous EPS target range had been set a number of years ago in a period of higher growth in the economy and property markets nationally, and in being a fixed range did not allow the target to be adjusted for prevailing economic and market conditions.

The changes are designed to ensure that, in combination with other components of executive remuneration, the LTI plan offers sufficient incentive to attract and retain executive staff and aligns to current shareholder return expectations.

r) Executive remuneration outcomes for FY2019 (including link to performance)

Performance against STI balanced scorecard objectives

The table below provides a summary of the FY2019 STI objectives and performance of the company 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 value creation model as described on page 11.

Objectives	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 across four states.	Achieved
	Acquire at least two strong margin projects each year, consistent with the corporate growth strategy	Two new properties secured in WA. A further site is under exclusive due diligence.	Achieved
Pursue joint venture opportunities and business partnerships forged	Deepen relationships with business partners acting with professionalism, transparency and with quality outcomes	Existing joint ventures (or development agreements) in WA with LandCorp (Western Edge) and Department of Housing (Harrisdale) progressed. New relationships being created & nurtured.	Achieved
Developments Maximise value, minimise risk with project delivery on time and on budget	Planning and engineering approvals achieved in time	Most of the approvals occurred in line with assumptions and project programs remain on track.	Achieved
	Manage expenditure diligently, seeking opportunities to reduce costs and be in line with budget	Development costs predominantly kept within budget. Delayed expenditure at some projects due to projects behind schedule. Costs are competitively tendered or benchmarked to confirm value for money.	Partially achieved
Create quality communities which embrace innovation and sustainability	Innovation and quality in projects	A number of projects across all 4 states demonstrate innovation, product diversity and sustainability.	Achieved
Sales and customer experience Position projects to meet market and customer demand	Settlements	Settlements achieved under budget, however sufficient to achieve strong uplift in profit.	Achieved
	Sales volumes and revenue	Budgeted sales not achieved, primarily due to weaknesses in the WA market. Sales prices generally achieved in each state.	Not achieved
	Enquiry	Enquiry levels exceeded budget.	Achieved
	Customer satisfaction	Good net promoter scores achieved for settled stages in each state.	Achieved
Financial performance Growth in earnings and financial strength.	Growth in NPAT and EPS	Strong NPAT growth of 14% and EPS growth of 13%.	Achieved
	Satisfactory ROE and ROC	ROE 13% (vs 10% min) and ROC 14% (vs 12% min), both above company benchmarks.	Achieved
	Gearing (debt/equity)	Gearing at 30 June was 28%, at the lower end of the target range.	Achieved
Risk Management Appropriate risk management in place	Risk management framework in place	Risk framework comprehensively reviewed and updated and risk reviews performed and reported to the Audit & Risk Management Committee.	Achieved

Objectives	Measures	Outcomes	Performance assessment
People and culture Attract, motivate and retain staff	Be a preferred employer	Employee engagement survey returned strong results.	Achieved
		New performance management process implemented to align high performance culture objectives and incentives.	Achieved
		Employee turnover for FY2019 was within the accepted range.	
	Succession planning and training	A number of staff were promoted in the year including one into an executive position. Staff attended numerous group and individual training courses and industry events in FY2019.	Achieved Achieved
Shareholder engagement and satisfaction Shareholders support the company	Participation in share issues	The dividend reinvestment plan and bonus share plan were reactivated for the 2018 final dividend enabling shareholders to participate.	Achieved
	Company investor relations program	Regular roadshows and investor briefings held during the year.	Achieved
	Total Shareholder Return (TSR)	One-year TSR for CWP of 5.3%, was lower than the Small Industrials Index's TSR of 6.4%.	Not achieved
	Support for AGM resolutions	All resolutions were overwhelmingly supported by shareholders at 2018 AGM.	Achieved
	Proxy advisors support Board resolutions	All resolutions were supported by proxy advisors and ASA at 2018 AGM with one exception on one resolution.	Achieved
Sustainability & WHS Environment; Optimising land use; Housing Diversity; Heritage	Rehabilitate contaminated sites and conservation land	Remediation conducted at sites across the portfolio, with some unforeseen costs and delays experienced.	Partially achieved
	Sustainability outcomes across all projects	Strong sustainability outcomes achieved across all projects.	Achieved
	Delivering the best use of land by optimising land use mix and product yield	Appropriate densities embraced across infill developments. Diverse product mix being delivered across the portfolio.	Achieved.
	Recognising indigenous and cultural heritage	Heritage assessments undertaken for projects as required. Heritage building adaption promoted at several new projects.	Achieved
Create vibrant communities	Create and support communities	Neighbourhood grants schemes in place across many projects with significant financial contributions. Facilitated many community events across the portfolio.	Achieved
WHS	Providing a safe working environment	New national WHS consultant appointed to undertake audits. 100% compliance received on audit. Some reportable incidents, injuries and near misses, but none involving serious injury.	Achieved
			Partially achieved

The following table outlines the proportion of maximum STI earned and forfeited in relation to FY2019 and the maximum STI that was available.

Proportion of maximum STI earned and forfeited in FY2019

	MD	COO	CFO	Company Secretary
Total earned of target%	90%	91%	94%	89%
Total earned of target \$	\$256,500	\$104,363	\$46,875	\$44,250
Total forfeited of target%	10%	9%	6%	11%
Total forfeited of target \$	\$28,500	\$10,637	\$3,125	\$5,750
Target STI opportunity	\$285,000	\$115,000	\$50,000	\$50,000
Maximum STI opportunity	\$391,875	\$158,125	\$68,750	\$68,750

Performance against LTI objectives

The equity based LTI scheme plan has two vesting conditions a) a 3 year service condition and b) two performance conditions measured over a 3 year period: 50 per cent 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 shows the maximum LTI opportunities that were granted to KMP during FY2019.

LTI awards in FY2019

	MD	COO	CFO
Value granted (max LTI opportunity)	\$285,000	\$105,000	\$50,000

The LTI awards earned vest on 31 August 2021 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)	25/08/2015	1/7/15 to 30/6/18	31/08/2018	\$5.33	EPS Growth Relative TSR	\$4.12 \$2.04	No	Nil
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	No	Nil
FY2017 –								
Award 1 (Employees)	25/08/2016	1/7/16 to 30/6/19	31/08/2019	\$4.35	EPS Growth Relative TSR	\$4.29 \$2.75	No Yes	n/a
FY2017 -								
Award 2 (MD)	10/11/2016	1/7/16 to 30/6/19	31/08/2019	\$4.35	EPS Growth Relative TSR	\$4.15 \$2.87	No Yes	n/a
FY2018 –								
Award 1 (Employees)	25/08/2017	1/7/17 to 30/6/20	31/08/2020	\$5.16	EPS Growth Relative TSR	\$4.62 \$2.68	to be determined	n/a
FY2018 -								
Award 2 (MD)	9/11/2017	1/7/17 to 30/6/20	31/08/2020	\$5.16	EPS Growth Relative TSR	\$4.92 \$2.81	to be determined	n/a
FY2019 –								
Award 1 (Employees)	14/09/2018	1/7/18 to 30/6/21	31/08/2021	\$6.08	EPS Growth Relative TSR	\$5.21 \$3.01	to be determined	n/a
FY2019 -								
Award 2 (MD)	13/11/2018	1/7/18 to 30/6/21	31/08/2021	\$6.08	EPS Growth Relative TSR	\$4.62 \$2.59	to be determined	n/a

The number of share rights granted to key management personnel under the LTI scheme during FY2019 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 FY2019 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 FY2019 (\$6.08). 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. Shares converting under the FY2017 LTI plan will be issued in FY2020.

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	Max. value yet to vest *
Executive director								
N J Blackburne								
13 Nov 2018	-	46,875	-	-	-	-	46,875	\$119,685
22 Aug 2017	36,434	-	-	-	-	-	36,434	\$51,190
25 Aug 2016	29,885	-	-	-	-	-	29,885	\$41,092
28 Aug 2015	15,009	-	-	-	15,009	100	-	-
Senior executives								
P Archer								
14 Sep 2018	-	17,270	-	-	-	-	17,270	\$50,497
22 Aug 2017	16,473	-	-	-	-	-	16,473	\$22,074
25 Aug 2016	18,391	-	-	-	-	-	18,391	\$25,288
28 Aug 2015	8,443	-	-	-	8,443	100	-	-
L M Hanrahan								
14 Sep 2018	-	8,224	-	-	-	-	8,224	\$24,047
22 Aug 2017	3,488	-	-	-	-	-	3,488	\$4,674
25 Aug 2016	2,759	-	-	-	-	-	2,759	\$3,794
28 Aug 2015	2,251	-	-	-	2,251	100	-	-
P S Freedman								
22 Aug 2017	7,752	-	-	-	-	-	7,752	\$10,388
25 Aug 2016	9,195	-	-	-	-	-	9,195	\$12,643
28 Aug 2015	7,505	-	-	-	7,505	100	-	-

* The LTI awards granted in FY2019 vest on 31 August 2021 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.

Performance of shareholder return metrics

In FY2019, the company delivered a profit of \$48.6 million, an increase of 14.2 per cent over the prior year.

The returns to shareholders of Cedar Woods 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	13.0	3.2	2.2
Share price growth	(1.0)	31.0	(22.0)
Dividend growth (paid dividend)	20.0	28.6	33.3
CWP TSR (change in share price and dividends)	5.3	55.4	2.8
S&P Small Industrials Index (XSIAI) TSR	6.4	35.8	64.1

The total shareholder return in FY2019 was 5.3 per cent which was lower than the S&P Small Industrials Index total return of 6.4 per cent over the same period. The returns over 3 years compare favourably to the returns of the S&P Small Industrials Index, although the returns over 5 years do not compare favourably. Returns over the last 3 years compare favourably to listed peers in the property sector, noting the sector has faced challenging conditions nationally.

Management is focused 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.

	2019	2018	2017	2016	2015
Profit for the year (\$'000)	48,644	42,603	45,445	43,602	42,585
Basic earnings per share (cents)	60.9	53.9	57.6	55.3	54.3
Dividends per share (cents)	31.5	30.0	30.0	28.5	28.0
Increase (decrease) in share price (%)	(1.0)	10.6	19.8	(17.3)	(28.0)

Executive remuneration for the years ended 30 June 2019 and 30 June 2018

When determining the remuneration mix for executives, the Human Resources and Remuneration committee used the target STI and LTI opportunities contained in the tables on page 39, which differ from the amounts calculated in the table below. In the below table, the actual cash bonuses are shown and the share based payment is calculated in accordance with AASB 2 *Share Based Payments*.

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

Name	Financial year	Short-term benefits			Post employment	Long-term benefits			Performance related	
		Cash salary and fees # \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Share based payment ## \$	Long Service Leave \$	Termination Benefit \$	Total \$	%
Executive director										
N J Blackburne*	2019	652,327	256,500	6,056	23,699	15,540	42,887	-	997,008	27%
	2018	511,680	158,860	6,643	23,974	57,953	43,614	-	802,724	27%
P S Sadleir**	2019	-	-	-	-	-8,141	-	-	-8,141	-
	2018	396,502	-	2,347	10,633	29,146	-	74,523	513,151	6%
Senior executives										
P Archer***	2019	389,469	104,363	5,727	20,531	4,237	-8,261	-	516,066	21%
	2018	369,866	88,725	7,448	20,049	32,819	13,958	-	532,865	23%
L M Hanrahan****	2019	263,886	46,875	7,785	20,531	4,932	5,165	-	349,174	15%
	2018	226,514	28,700	1,507	20,049	6,205	9,794	-	292,769	12%
P S Freedman*****	2019	251,479	44,250	541	24,999	-4,588	-35,219	-	281,463	14%
	2018	363,700	56,350	1,141	25,000	17,068	8,957	-	472,216	16%
Total	2019	1,557,161	451,988	20,108	89,760	11,980	4,573	-	2,135,570	
	2018	1,868,261	332,635	19,086	99,704	143,190	76,323	74,523	2,613,722	

* N J Blackburne was promoted from Chief Operating Officer to Managing Director effective 18 September 2017.

** P S Sadleir retired from the position of Managing Director on 18 September 2017.

*** P Archer was promoted from the role of State Manager - Victoria and South Australia to Chief Operating Officer effective 13 November 2017. P Archer joined the senior executive group on 1 September 2017 as State Manager - Victoria and South Australia. Amounts shown above include P Archer's total FY2018 remuneration.

**** L M Hanrahan was promoted from the role of Group Financial Controller to Chief Financial Officer effective 1 June 2018 and joined the senior executive group on this date. Amounts shown above include L M Hanrahan's total FY2018 remuneration. L M Hanrahan's total FY2018 remuneration of \$292,769 disclosed above includes \$268,371 relating to the period prior to joining the senior executive group.

*****P S Freedman transitioned to a part time role in FY2019 with remuneration pro-rated accordingly.

A state manager that was included in the KMP in FY2018 has been excluded from the above table as it has been determined that the state manager position does not satisfy the definition of KMP, as noted on page 28 of this report. The total remuneration for KMP disclosed in FY2018 was \$3,005,238.

Equity-settled share-based payments relate to the component of the fair value of awards from the 2017, 2018 and 2019 LTI schemes attributable to the year measured in accordance with AASB 2 *Share Based Payments*. No shares were issued under the plans in FY2018 or FY2019, hence the 'take home' remuneration received for the year by the executive group is as shown in the table above, excluding the share based payments.

Cash salary and fees include annual leave accrual for the FY2019 period.

s) Executive contracts

Remuneration and other terms of employment for executives are formalised in employment agreements.

Details of executive service contract for the Managing Director and other executives

The Managing Director, Mr N J Blackburne is employed under an ongoing contract.

Mr Blackburne's total remuneration package for FY2019 was as follows:

- Fixed remuneration of \$680,000 per annum
- Target STI opportunity of \$285,000, Maximum STI opportunity of \$391,875
- Target & Maximum LTI opportunity \$285,000.

The target STI and LTI opportunity each represent 23% of the total target remuneration. The maximum STI opportunity represents 29% of the maximum remuneration.

If the Managing Director resigns following a takeover or substantial change of control of the company due to a material variation or diminution in his position duties, reporting structure or status, he will be entitled to be paid the maximum amount permitted under s 200G of the *Corporations Act 2001*.

The agreements for the executives 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 N J Blackburne	No fixed term	6 months	Either party may terminate with 6 months' notice
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 [g\) iii. Details of incentive plans](#) section of the Directors Report.

t) 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 or for memberships of directors on subsidiary Boards). 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 FY2019 was \$596,200. The Board will not seek any increase for the NED maximum aggregate fee pool at the 2019 AGM.

Fee policy

NEDs' annual fees were last reviewed from FY2019 (effective date: 1 July 2018). The annual fees (inclusive of superannuation) for FY2019 and FY2018 are set out in the table below:

	2019 \$	2018 \$
Chair	164,000	161,000
Deputy Chair	126,500	124,000
Other NEDs	88,700	87,000
Committee Chair	13,200	13,000
Committee member	Nil	Nil

NED remuneration for the years ended 30 June 2019 and 30 June 2018

The table below outlines fees paid to NEDs for FY2019 and FY2018 in accordance with statutory rules and applicable accounting standards.

Name	Financial year	Short-term benefits	Post employment	Total \$
		Board and committee fees \$	Superannuation \$	
W G Hames	2019	149,772	14,228	164,000
	2018	147,032	13,968	161,000
R S Brown	2019	115,525	10,975	126,500
	2018	113,242	10,758	124,000
R Packer	2019	104,601	23,699	128,300
	2018	102,301	23,699	126,000
V A Davies	2019	81,005	7,695	88,700
	2018	79,452	7,548	87,000
J M Muirsmith *	2019	81,005	7,695	88,700
	2018	59,589	5,661	65,250
Total	2019	531,908	64,292	596,200
	2018	501,616	61,634	563,250

* Mrs J M Muirsmith was appointed on 2 October 2017.

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, including their personally-related parties, are set out below. There were no shares granted during the period as remuneration.

2019	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 *	10,343,320	230	10,343,550
R S Brown	7,985,584	-	7,985,584
R Packer	167,859	-	167,859
V A Davies	15,297	488	15,785
J M Muirsmith	10,198	325	10,523
Executive director			
N J Blackburne	42,870	4,465	47,335
Senior executives			
P Archer	20,277	24	20,301
L M Hanrahan	11,398	-	11,398
P S Freedman	107,583	1,000	108,583

2018	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 *	10,195,091	148,229	10,343,320
R S Brown	7,985,584	0	7,985,584
R Packer	167,859	0	167,859
V A Davies	15,000	297	15,297
J M Muirsmith	0	10,198	10,198
Executive director			
N J Blackburne	38,283	4,587	42,870
Senior executives			
P Archer	20,262	15	20,277
L M Hanrahan	11,398	0	11,398
P S Freedman	105,912	1,671	107,583

* Includes 2,014,439 (2018 – 2,014,439) shares over which W G Hames has voting rights and a first right of refusal to purchase.

The interests shown above comply with AASB124 *Related Party Disclosures* and differ to those shown at item [1\)](#) 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

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, subject to the Board considering the services under the Conflict of Interest policy, available on the Company website. 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.

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. In addition, tenders and market reviews are regularly conducted to ensure that services are provided on competitive terms and conditions.

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 lower than in the previous year as a result of the timing of architectural and design work performed on the Williams Landing Town Centre and the Glenside project in Adelaide. The Glenside project was introduced to the company by Hames Sharley.

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.

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 FY2019 was similar to that of the previous year and as a result the value of transactions with Westland Settlement Services Pty Ltd is also similar.

Cedar Woods has for many years been a member of the Australian Institute of Company Directors (AICD). Mr P S Sadleir (former Managing Director) was a council member of AICD WA. The annual subscription paid in 2018 was based on normal commercial terms and conditions.

In 2019 and 2018 a payment was made for sponsorship of the Property Education Foundation Inc. of which Mr R Packer is a trustee with no beneficial interest. The transaction was based on normal commercial terms and conditions.

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

	2019 \$	2018 \$
Amounts recognised as expense		
Creative design services	30,908	26,240
Settlement fees	189,616	181,985
Subscriptions	-	10,000
Sponsorships	3,182	3,182
	223,706	221,407
Amounts recognised as inventory/ investment property		
Architectural fees	221,993	578,016
	221,993	578,016
Total amounts recognised in year	445,699	799,423
Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Cedar Woods or their related entities:		
Inventory	219,718	571,316
Investment property	2,275	6,700
	221,993	578,016

There are no aggregate amounts payable to directors of Cedar Woods at balance date. There are no amounts payable to related entities at balance date relating to the above types of other transactions.

At 30 June 2019, an amount of \$Nil (2018 - \$5,365) was outstanding on a loan to a key management personnel employee issued under the former employee share plan. Under the now discontinued plan, certain employees were granted shares funded by interest free loans from the company and with the loans repaid by dividends. There are no other amounts owing from related entities at balance date.

v) Independent audit of remuneration report

The remuneration report has been audited by PricewaterhouseCoopers (PwC). See page 112 of this annual financial report for PwC's report on the remuneration report.

w) Retirement, election and continuation in office of directors

Mr W G Hames and Mr R S Brown 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 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 and the Company Secretary. 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 [36](#) 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 49.

aa) Rounding of amounts

The company is of a kind referred to in *AISC Legislative Instrument 2016/191*, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument 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.



N J Blackburne
Managing Director
27 August 2019

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the audit of Cedar Woods Properties Limited for the year ended 30 June 2019, 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.



Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
27 August 2019

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Liability limited by a scheme approved under Professional Standards Legislation.

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These financial statements are consolidated financial statements for the group consisting of Cedar Woods Properties Limited and its subsidiaries. A list of major subsidiaries is included in note [28](#).

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 27 August 2019. 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 2019

	Note	2019 \$'000	2018 *Restated \$'000
Revenue from operations			
Sale of land and buildings	1	361,571	232,329
Development services	1	7,351	1,401
Rent from properties	1	6,227	6,086
Interest revenue		708	679
		375,857	240,495
Other Income		1,662	2,946
Expenses			
Cost of sales of land and buildings		(254,142)	(138,265)
Cost of providing development services		(6,433)	(691)
Other expenses from ordinary activities:			
Project operating costs		(24,027)	(21,794)
Occupancy		(751)	(708)
Administration		(19,810)	(16,653)
Other	2	(364)	(40)
Finance costs	2	(3,072)	(4,020)
Share of net profit (loss) of joint ventures accounted for using the equity method	29(iii)	22	(122)
Profit before income tax		68,942	61,148
Income tax expense	3	(20,298)	(18,545)
Profit for the year	21 & 4	48,644	42,603
Total comprehensive income for the year		48,644	42,603
Total comprehensive income attributable to members of Cedar Woods Properties Limited		48,644	42,603
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	4	60.9 cents	53.9 cents
Diluted earnings per share	4	60.6 cents	53.7 cents

* See Note 39 for details regarding the restatement as a result of a change in accounting policy.

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

Consolidated Balance Sheet

As at 30 June 2019

	Note	2019 \$'000	2018 *Restated \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	13,442	23,692
Trade and other receivables	6	9,903	13,689
Inventories	7	144,778	183,108
Deferred development costs	8	2,921	2,182
Total current assets		171,044	222,671
Non-current assets			
Receivables	6	2	69
Inventories	7	337,065	314,731
Deferred development costs	8	8,317	9,309
Investments accounted for using the equity method	9	2,725	3,028
Property, plant and equipment	10	9,692	7,688
Investment properties	11	41,642	42,561
Lease incentives	12	1,224	1,459
Total non-current assets		400,667	378,845
Total assets		571,711	601,516
LIABILITIES			
Current liabilities			
Trade and other payables	13	30,881	46,376
Derivative financial instruments	15	230	121
Other financial liabilities	16	9,338	38,454
Current tax liabilities		3,822	16,515
Contract Liabilities	1(ii)	5,813	7,079
Provisions	17	4,094	1,024
Total current liabilities		54,178	109,569
Non-current liabilities			
Borrowings	14	118,756	132,826
Derivative financial instruments	15	31	63
Other financial liabilities	16	16,849	1,224
Provisions	17	125	77
Deferred tax liabilities	18	5,242	4,571
Total non-current liabilities		141,003	138,761
Total liabilities		195,181	248,330
Net assets		376,530	353,186
EQUITY			
Contributed equity	19	125,979	123,018
Reserves	20	427	442
Retained profits	21	250,124	229,726
Total equity		376,530	353,186

* See Note 39 for details regarding the restatement as a result of a change in accounting policy.
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 2019

	Note	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total \$'000
Balance at 1 July 2017		119,525	210	210,499	330,234
Profit for the year		-	-	42,603	42,603
Total comprehensive income for the year		-	-	42,603	42,603
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	19	3,493	-	-	3,493
Transfers from reserves to retained profits		-	(6)	6	-
Dividends provided for or paid	27	-	-	(23,382)	(23,382)
Employee share plan reserve	20	-	238	-	238
		3,493	232	(23,376)	(19,651)
Balance at 30 June 2018		123,018	442	229,726	353,186
Balance at 1 July 2018		123,018	442	229,726	353,186
Profit for the year		-	-	48,644	48,644
Total comprehensive income for the year		-	-	48,644	48,644
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	19	2,961	-	-	2,961
Transfers from reserves to retained profits		-	-	-	-
Dividends provided for or paid	27	-	-	(28,313)	(28,313)
Employee share plan reserve	20	-	(15)	67	52
		2,961	(15)	(28,246)	(25,300)
Balance at 30 June 2019		125,979	427	250,124	376,530

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

Consolidated Cash Flow Statement

For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (incl. GST)		403,651	265,092
Payments to suppliers and employees (incl. GST)		(84,556)	(62,703)
Payments for land and development		(245,814)	(191,633)
Interest received		737	407
Borrowing costs paid		(8,601)	(7,682)
Income taxes paid		(32,329)	(10,026)
Net cash inflows (outflows) from operating activities	23	33,089	(6,545)
Cash flows from investing activities			
Proceeds from capital return from joint venture		325	975
Payments for investment properties		(309)	(1,129)
Payments for property, plant and equipment		(3,776)	(3,736)
Net cash outflows from investing activities		(3,760)	(3,890)
Cash flows from financing activities			
(Repayment of) proceeds from borrowings		(14,246)	45,600
Dividends paid	27	(25,335)	(19,873)
Net cash (outflows) inflows from financing activities		(39,581)	25,727
Net (decrease) increase in cash and cash equivalents		(10,250)	15,292
Cash and cash equivalents at the beginning of the year		23,692	8,400
Cash and cash equivalents at the end of the year	5	13,442	23,692

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 [28](#).

The notes are set out in the following main sections:

A Key numbers:

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 Further 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.

Section A: Key Numbers

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

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Profit or Loss Information

1. Revenue

(i) Disaggregation of revenue from contracts with customers

	2019 \$'000	2018 *Restated \$'000
Timing of revenue recognition		
<i>At a point in time</i>		
Sale of land and buildings	361,571	232,329
Development services	7,351	1,401
<i>Over time</i>		
Rent from properties	6,227	6,086

(ii) Assets and liabilities related to contracts with customers

	2019 \$'000	2018 \$'000
Current contract assets		
Commissions relating to property sales	2,144	1,968
Total contract assets	2,144	1,968
<i>Costs to fulfil a contract</i>		
Commissions relating to property sales	2,030	820

Sales commissions incurred to fulfill a property sale contract were previously classified as prepayments in the balance sheet when incurred and expensed when the associated settlement revenue was recognised. These are now classified as contract assets when incurred and continue to be expensed when associated revenue is recognised.

	2019 \$'000	2018 *Restated \$'000
Current contract liabilities		
Customer rebates	5,813	7,079
Total contract liabilities	5,813	7,079
<i>Revenue recognised that was included in the contract liability balance at the beginning of the period</i>		
Customer rebates	4,483	6,033

* See Note 39 for details regarding the restatement as a result of a change in accounting policy.

(iii) Transaction price allocated to remaining performance obligations

The transaction price allocated to partially unsatisfied performance obligations at 30 June 2019 is set out below:

	2019
	\$'000
Within one year	223,802
More than one year	106,596
Total	330,398

As permitted under the transitional provisions in AASB 15 *Revenue from contracts with customers* the comparative of 30 June 2018 is not disclosed.

2. Expense items

Profit before income tax expense includes the following specific expenses:

	Note	2019	2018
		\$'000	\$'000
Finance costs			
Interest and finance charges		8,511	7,239
Interest – other financial liabilities		579	2,585
Unrealised financial instrument losses (gains)		76	(223)
Less: amount capitalised	(i)	(6,094)	(5,581)
Finance costs expensed		3,072	4,020

(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 2.8% (2018 – 2.9%) per annum. Where qualifying assets are financed by specific facilities, the applicable borrowing costs of those facilities are capitalised.

	Note	2019	2018
		\$'000	*Restated \$'000
Net loss on disposal of property, plant and equipment		280	159
Rental expense relating to operating leases			
Minimum lease payments		935	793
Provision for customer rebates		3,585	3,828
Loss allowance of trade receivables	6	(302)	(107)
Superannuation		1,093	987
Depreciation of property, plant and equipment	10	1,246	948
Depreciation of investment properties	11	1,029	1,072
Employee benefits expense		12,007	11,550

* See Note 39 for details regarding the restatement as a result of a change in accounting policy.

	Note	2019 \$'000	2018 \$'000
Other			
Write-down of inventory		271	38
Impairment of lease incentives and capitalised lease costs	11	98	2
Available for sale financial assets		(5)	-
		364	40

3. 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

	Note	2019 \$'000	2018 \$'000
Current tax		19,699	16,971
Deferred tax		671	1,684
Adjustments for current tax of prior periods		(72)	(110)
Income tax expense attributable to profit		20,298	18,545

Deferred income tax expense (revenue) included in income tax expense comprises:

Decrease in deferred tax assets	18	1,130	356
(Decrease) increase in deferred tax liabilities	18	(459)	1,328
		671	1,684

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

	2019	2018
	\$'000	\$'000
Profit before income tax	68,942	61,148
Tax at the Australian tax rate of 30% (2018 – 30%)	20,683	18,344
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Subsidiary company profit	(477)	(28)
- Interest revenue	149	210
- Employee share scheme	(4)	71
- Share of net profit (loss) of joint venture	(7)	36
- Sundry items	21	22
	<u>(318)</u>	<u>311</u>
Adjustments for current tax of prior periods:		
- Research and development	(67)	(110)
	<u>(67)</u>	<u>(110)</u>
Income tax expense	<u>20,298</u>	<u>18,545</u>

4. Earnings per share

	2019	2018
Basic earnings per share (cents)	60.9	53.9
Diluted earnings per share (cents)	60.6	53.7
Net profit attributable to the ordinary owners of the company (\$'000)	<u>48,644</u>	<u>42,603</u>
Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share	79,925,054	79,001,250
Weighted average number of ordinary shares used as the denominator in the calculation of diluted earnings per share	<u>80,332,583</u>	<u>79,331,776</u>

The calculation of diluted earnings per share includes performance rights that may vest under the company's LTI plan.

Balance Sheet Information

5. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and in hand	13,442	23,692
	13,442	23,692

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 1.8% (2018: 0 – 1.8%) per annum depending on the balances.

The Group's exposure to interest rate risk is discussed in note [25](#) 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.

6. Trade and other receivables

	Notes	2019 \$'000	2018 *Restated \$'000
Current			
Trade receivables	(ii)	4,786	11,162
Less: Loss allowance	(i), (ii)	(130)	(432)
Other receivables	(ii)	1,310	142
Contract assets	(iii)	2,144	1,968
Prepayments	(iii)	1,793	849
		9,903	13,689
Non-Current			
Prepayments		-	60
Loans – employee share scheme (discontinued)	37	2	9
		2	69

(i) Credit risk

To measure the lifetime expected credit loss for rental debtors, a provision is raised against each debtor based upon the payment profile over the last 12 months, adjusted for current and forward-looking information supporting the expected settlement of the receivable.

(ii) 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 accounting policies for trade and other receivables are outlined in note [38\(h\)](#).

(iii) Reclassification

Certain prepayments totalling \$1,968,000 at 30 June 2018 have been reclassified as contract assets in accordance with the adoption of AASB15 *Revenue from Contracts with Customers*.

7. Inventories

	Notes	2019 \$'000	2018 \$'000
Total Inventory			
Current inventory	(i), (ii)	144,778	183,108
Non-current inventory	(i), (ii)	337,065	314,731
Aggregate carrying amount		481,843	497,839

	2019 \$'000	2018 \$'000
Current		
Property held for resale		
- at cost	32,666	43,352
- at valuation 30 June 1992	29	-
- capitalised development costs	112,083	139,756
	144,778	183,108

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

	2019 \$'000	2018 \$'000
Non-Current		
Property held for resale		
- at cost	229,175	226,167
- at valuation 30 June 1992	62	91
- capitalised development costs	102,577	83,264
- at net realisable value	5,251	5,209
	337,065	314,731

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

(i) Current and non-current assets pledged as security

Refer to note [14](#) for information on current assets pledged as security by the parent entity or its controlled entities.

(ii) Accounting for inventory

Refer to note [38\(i\)](#) for the recognition and classification of inventory.

8. Deferred development costs

	2019 \$'000	2018 \$'000
Current		
Deferred development costs	2,921	2,182
	2,921	2,182
Non-Current		
Deferred development costs	8,317	9,309
	8,317	9,309

Development costs incurred by the group for the development of land not held as inventory by the group are recorded as deferred development costs in the balance sheet.

9. Investments accounted for using the equity method

	2019 \$'000	2018 \$'000
Unlisted securities		
Shares in joint ventures	2,725	3,028

(i) Cedar Woods Wellard Limited

The consolidated entity owns a 32.5% (2018: 32.5%) interest in Cedar Woods Wellard Limited, a property development company incorporated in Australia. Refer to note [29](#).

10. Property, plant and equipment

	2019 \$'000	2018 \$'000
Plant and Equipment at Cost		
At start of the year	10,422	7,236
Additions	3,792	3,736
Assets disposed	(1,326)	(550)
At end of the year	12,888	10,422
Accumulated depreciation on Plant and Equipment		
At start of the year	2,734	2,114
Charge for year	1,246	948
Assets disposed	(784)	(328)
At end of the year	3,196	2,734
Net book value	9,692	7,688

(i) Non-current assets pledged as security

Refer to note [14](#) for information on non-current assets pledged as security by the parent entity or its controlled entities.

11. Investment properties

	Note	2019 \$'000	2018 \$'000
Non-current assets – at cost			
Opening balance at the start of the year		42,561	43,425
Capitalised expenditure		208	210
Depreciation		(1,029)	(1,072)
Impairment of capitalised lease costs		(98)	(2)
Closing balance at the end of the year		41,642	42,561
Represented by:			
Completed investment property	(i),(ii),(iii),(iv)	41,642	42,561
Closing balance at the end of the year		41,642	42,561

(i) Amounts recognised in profit or loss for investment properties

	2019 \$'000	2018 \$'000
Rental income	5,417	5,357
Direct operating expenses from property that generated rental income	(3,870)	(3,110)
Impairment of lease incentives and capitalised lease costs	(98)	(2)

(ii) Fair value of investment property

The fair value of the Williams Landing Shopping Centre which makes up completed investment property at 30 June 2019 is \$72.0m exclusive of GST, based on a management valuation (2018 - \$70.0m based on an independent valuation). This includes land surrounding the shopping centre for future development which is on the same title.

(iii) Leasing arrangements

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

	2019 \$'000	2018 \$'000
Within one year	4,387	4,471
Later than one year but not later than 5 years	19,064	16,333
Later than 5 years	21,826	30,107
	45,277	50,911

(iv) Non-current assets pledged as security

Refer to note 14 for information on non-current assets pledged as security by the parent entity or its controlled entities.

12. Lease incentives

	2019 \$'000	2018 \$'000
Lease incentives	2,626	2,516
Amortisation of lease incentives	(816)	(552)
Impairment of lease incentives	(586)	(505)
	1,224	1,459

(i) Non-current assets pledged as security

Refer to note [14](#) for information on non-current assets pledged as security by the parent entity or its controlled entities.

13. Trade and other payables

	2019 \$'000	2018 \$'000
Trade payables	8,751	12,985
Accruals	19,057	24,061
GST payable	2,849	8,365
Other payables	224	965
	30,881	46,376

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.

14. Borrowings

	2019 \$'000	2018 \$'000
Non-Current		
Bank loans – secured (Corporate facilities)	89,800	104,000
Bank loan – secured (Williams Landing Shopping Centre facility)	29,193	29,193
Facility fees capitalised (amortised over the period of facility)	(414)	(546)
Amortisation of facility fees	177	179
	118,756	132,826

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 totalling \$89,800,000 (2018 - \$104,000,000) provided by two major banks \$44,900,000 each (2018 - \$52,000,000 each) each 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 and applicable subsidiary entities. Cedar Woods 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 note [11](#).

(ii) Financing arrangements

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

	2019 \$'000	2018 \$'000
Corporate facilities		
Total facilities (loan and guarantees)	205,000	240,000
Used at balance date	104,579	120,942
Unused at balance date	100,421	119,058
Williams Landing Shopping Centre facility		
Total facility	30,000	30,000
Used at balance date	29,193	29,193
Unused at balance date	807	807
111 Overton Road facility		
Total facility	-	27,070
Used at balance date	-	-
Unused at balance date	-	27,070
Total Facilities	235,000	297,070
Used at balance date	133,772	150,135
Unused at balance date	101,228	146,935

The consolidated entity has total corporate finance facilities of \$205,000,000 (2018 - \$240,000,000), with \$102,500,000 (2018 - \$120,000,000) each provided by two major banks, expiring 30 November 2020. The company modified and extended its corporate finance facility in July 2019 introducing a third major bank. The changes include longer facility tenure, with the previous three year facility now comprising:

- \$165,000,000 (approximately 80%) of the facility extending to June 2022; and
- \$40,000,000 (approximately 20%) of the facility extending to June 2024.

The conditions of the facilities impose certain covenants including the consolidated entity's revenue, interest cover and loan-to-valuation ratio. The interest on the corporate loan facilities is variable and at 30 June 2019 was an average rate of 2.73% (2018 - 3.37%) per annum. The corporate facilities include bank guarantee facilities of \$20,000,000 (2018 - \$20,000,000) subject to similar terms and conditions, which were drawn to a total amount of \$14,779,000 at 30 June 2018 (2018 - \$16,941,000).

The consolidated entity has a facility of \$30,000,000 (2018 - \$30,000,000) in place for the Williams Landing Shopping Centre investment property. The conditions of the facility impose certain covenants including loan-to-valuation ratio and interest cover ratio. The facility extends to June 2021. The interest on the Williams Landing Shopping Centre loan facility is variable and at 30 June 2019 was an average rate of 2.95% (2018 - 3.29%) per annum.

The 111 Overton Road facility expiring November 2019, was paid out early and closed during 2019.

Details of the group's exposure to risk arising from current and non-current borrowings are set out in note [25](#). Financial risk management.

15. Derivative financial instruments

	2019 \$'000	2018 \$'000
Current liabilities		
Interest rate swap contracts	230	121
Non-current liabilities		
Interest rate swap contracts	31	63
	261	184

(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 hedge contracts

The bank loans currently bear an average variable interest rate of 2.73% per annum (2018 – 3.37% 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 hedge contracts under which part of the consolidated entity's projected borrowings are protected for the period from 1 July 2019 to 30 June 2022. The group uses a combination of swaps, caps and collars to hedge interest rates.

The swaps effectively fix interest rates applicable to bank bills issued with duration of 1 month (BBSY Bid) at certain levels between 2.070% - 2.495% per annum (2018 – 2.070% - 2.495% per annum). The caps effectively cap interest rates applicable to bank bills issued with duration of 3 months (BBSY Bid) at certain levels between 1.50% - 1.95% (2018 – N/A). The collars effectively cap interest rates applicable to bank bills issued with duration of 3 months (BBSY Bid) at 1.50% and apply a floor to interest rates of 0.87% (2018 – N/A).

Interest rate hedge contracts currently in place cover approximately 46% (2018 – 41%) of the variable loans outstanding at balance date, with terms expiring in 2020, 2021 and 2022. 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.

16. Other financial liabilities

	Notes	2019 \$'000	2018 \$'000
Current			
Due to vendors of properties under contracts of sale		8,957	38,454
Other payables	(i)	381	-
		9,338	38,454
Non-Current			
Due to vendors of properties under contract of sale		16,849	-
Other payables	(i)	-	1,224
		16,849	1,224

(i) Fair value adjustment

During the period the group re-assessed its project cash flows associated with the other payables, resulting in a fair value adjustment through profit or loss.

17. Provisions

	Notes	2019 \$'000	2018 \$'000
Current			
Employee benefits		1,073	1,024
Site remediation	(i)	3,021	-
		4,094	1,024
		2019 \$'000	2018 \$'000
Non-current			
Employee benefits		125	77
		125	77

(i) Movements in site remediation provisions

	2019 \$'000	2018 \$'000
Carrying amount at start of year	-	-
Capitalised to inventory	3,400	-
Payments	(379)	-
Carrying amount at end of year	3,021	-

Site remediation provision has been recognised in respect of an obligation under a land acquisition contract.

18. Deferred tax

(i) Assets

	Notes	2019 \$'000	2018 \$'000
The balance comprises temporary differences attributable to:			
Inventory		2,572	3,414
Special Unit in the BCM Apartment Trust		1,858	1,858
Provision for customer rebates		1,744	1,949
Provision for employee benefits		744	504
		6,918	7,725
<i>Other</i>			
Derivative financial instruments		78	75
Borrowing costs		58	68
Receivables		39	286
Share issue expenses		5	53
<i>Other sundry items</i>		73	94
Sub-total other		253	576
Total deferred tax assets		7,171	8,301
Set-off of deferred tax assets pursuant to set-off provisions		(7,171)	(8,301)
Net deferred tax assets		-	-
Deferred tax assets at the start of the year		8,301	8,657
(Decrease) in deferred tax assets (debited) to income tax expense	3	(1,130)	(356)
Deferred tax assets at the end of the year		7,171	8,301
Deferred tax assets expected to be recovered within 12 months		3,175	4,404
Deferred tax assets expected to be recovered after more than 12 months		3,996	3,897
		7,171	8,301

Movements	Inventory \$'000	Special Unit in the BCM Apartment Trust \$'000	Provision for customer rebates \$'000	Provision for employee benefits \$'000	Other \$'000	Total \$'000
At 1 July 2017	2,947	1,858	2,354	763	735	8,657
(Charged)/credited						
- to profit or loss	467	-	(405)	(259)	(159)	(356)
At 30 June 2018	3,414	1,858	1,949	504	576	8,301
(Charged)/credited						
- to profit or loss	(842)	-	(205)	240	(323)	(1,130)
At 30 June 2019	2,572	1,858	1,744	744	253	7,171

(ii) Liabilities

	Notes	2019 \$'000	2018 \$'000
The balance comprises temporary differences attributable to:			
<i>Amounts recognised in profit or loss</i>			
Inventory		7,671	8,266
Deferred development costs		3,371	3,130
Prepayments		647	656
Investment Property		324	348
		<u>12,013</u>	<u>12,400</u>
<i>Other</i>			
Lease incentives		367	438
Revaluation reserve		21	26
<i>Other sundry items</i>		12	8
Sub-total other		<u>400</u>	<u>472</u>
Total deferred tax liabilities		12,413	12,872
Set off of deferred tax assets pursuant to set-off provisions		<u>(7,171)</u>	<u>(8,301)</u>
Net deferred tax liabilities		<u>5,242</u>	<u>4,571</u>
Deferred tax liabilities at the start of the year		12,872	11,544
(Decrease) increase in deferred tax liabilities (credited) debited to income tax expense	3	<u>(459)</u>	<u>1,328</u>
Deferred tax liabilities at the end of the year		<u>12,413</u>	<u>12,872</u>
Deferred tax liabilities expected to be settled within 12 months		6,284	4,549
Deferred tax liabilities expected to be settled after more than 12 months		6,129	8,323
		12,413	12,872

Movements	Inventory \$'000	Deferred development costs \$'000	Prepayments \$'000	Investment Property \$'000	Other \$'000	Total \$'000
At 1 July 2017	5,958	4,633	370	305	278	11,544
Charged/(credited)						
- to profit or loss	2,308	(1,503)	286	43	194	1,328
At 30 June 2018	8,266	3,130	656	348	472	12,872
Charged/(credited)						
- to profit or loss	(595)	241	(9)	(24)	(72)	(459)
At 30 June 2019	7,671	3,371	647	324	400	12,413

19. Equity

	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Movement in ordinary share capital				
Start of the year	79,516,567	78,891,681	123,018	119,525
Shares issued pursuant to the dividend reinvestment plan:				
Ordinary shares issued on 26 October 2018 at \$5.64	526,554	-	2,970	-
Ordinary shares issued on 27 April 2018 at \$6.06	-	577,860	-	3,502
Shares issued pursuant to the bonus share plan:				
Ordinary shares issued on 26 October 2018	74,646	-	-	-
Ordinary shares issued on 27 April 2018	-	47,026	-	-
Transaction costs arising on share issues	-	-	(9)	(9)
	601,200	624,886	2,961	3,493
End of the year	80,117,767	79,516,567	125,979	123,018

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 in place during the 2019 financial year.

20. 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	2019 \$'000	2018 \$'000
<i>Composition</i>			
a) Asset revaluation reserve (pre-1992)		49	49
b) Employee share plan reserve		378	393
		<u>427</u>	<u>442</u>
<i>Movements</i>			
a) Asset revaluation reserve			
Balance at the beginning of the year		49	55
Transfer to retained profits	21	-	(6)
Balance at the end of the year		<u>49</u>	<u>49</u>
b) Share-based payments reserve			
Balance at the beginning of the year		393	155
Share-based payments expense		(15)	238
Balance at the end of the year		378	393

The asset revaluation reserve was used until 1992 to record increments and decrements on the revaluation of non-current assets. Refer to note [38\(i\)](#).

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 [37](#).

21. Retained profits

	Notes	2019 \$'000	2018 \$'000
Retained profits at the start of the year		229,726	210,499
Net profit attributable to members of Cedar Woods		48,644	42,603
Transfers from reserves	19	67	6
Dividends provided for or paid	27	(28,313)	(23,382)
Retained profits at the end of the year		250,124	229,726

22. Categories of financial assets and financial liabilities

Notes 5, 6, 13, 14, 15, and 16 provide 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	Financial assets at amortised cost \$'000	Total \$'000
2019			
Cash and cash equivalents	5	13,442	13,442
Trade and other receivables*	6	5,968	5,968
Total		19,410	19,410
2018			
Cash and cash equivalents	5	23,692	23,692
Trade and other receivables*	6	10,881	10,881
Total		34,573	34,573

*Excluding prepayments and contract assets

Financial Liabilities	Notes	Derivatives used for hedging \$'000	Liabilities at amortised cost \$'000	Total \$'000
2019				
Trade and other payables	13	-	30,881	30,881
Borrowings	14	-	118,756	118,756
Derivative financial instruments	15	261	-	261
Other financial liabilities	16	-	26,187	26,187
Total		261	175,824	176,085
2018				
Trade and other payables	13	-	46,376	46,376
Borrowings	14	-	132,826	132,826
Derivative financial instruments	15	184	-	184
Other financial liabilities	16	-	39,678	39,678
Total		184	218,880	219,064

Cash Flow information

23. Cash Flow information

(i) Reconciliation of profit after income tax to net cash inflows (outflows) from operating activities

	2019 \$'000	2018 \$'000
Profit after income tax	48,644	42,603
Depreciation	2,275	2,020
Amortisation of lease incentives	263	208
Write down of assets – investment property and lease incentives	98	2
Write down of inventory	271	37
Write down/ loss on sale of non-current assets	280	159
Write down of available for sale financial assets – BCM Apartment Trust	(843)	-
Fair value loss (gain) on derivative financial instrument	77	(223)
Non-cash share-based payments (reversal) expense	(15)	238
Share of profit (loss) in equity accounted investment	(22)	122
<i>Changes in operating assets and liabilities</i>		
Increase (Decrease) in provisions for employee benefits	97	(387)
Increase (Decrease) in provisions	1,755	(836)
Decrease (Increase) in inventories	15,996	(75,725)
Decrease in other deferred development costs	253	4,233
Decrease in deferred tax assets	1,130	356
(Decrease) increase in current income tax payable	(12,694)	6,807
(Decrease) increase in deferred tax liability	(459)	1,328
Decrease (Increase) in capitalised borrowing costs	176	(114)
Decrease (Increase) in debtors	3,846	(7,867)
(Decrease) Increase in creditors	(15,391)	22,293
(Decrease) in other financial liabilities	(12,648)	(1,799)
Net cash inflows (outflows) from operating activities	33,089	(6,545)

(ii) Net debt reconciliation

This section sets out an analysis of net debt and the movements in debt for each of the periods presented.

	2019 \$'000	2018 \$'000
Cash and cash equivalents	13,442	23,692
Borrowings – repayable within one year	-	-
Borrowings – repayable after one year	(118,756)	(132,826)
Net debt	(105,314)	(109,134)

Cash and cash equivalents	13,442	23,692
Gross debt – fixed interest rates	-	-
Gross debt – variable interest rates	(118,756)	(132,826)
Net debt	(105,314)	(109,134)

	Other Assets		Liabilities from financing activities		Total Total \$'000
	Cash \$'000	Borrowings due within 1 year \$'000	Borrowings due after 1 year \$'000		
Net debt as at 1 July 2017	8,400	-	(87,340)		(78,940)
Cash flows	15,292	-	(45,600)		(30,308)
Other non-cash movements	-	-	114		114
Net debt as at 30 June 2018	23,692	-	(132,826)		(109,134)
Cash flows	(10,250)	-	14,246		3,996
Other non-cash movements	-	-	(176)		(176)
Net debt as at 30 June 2019	13,442	-	(118,756)		(105,314)

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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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.

24. 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.

a) 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.

b) 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 [38\(i\)](#).

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

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.

25. Financial Risk Management

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 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:

	2019 \$'000	2018 \$'000
Financial assets		
Cash and cash equivalents	13,442	23,692
Trade and other receivables	9,903	13,689
	23,345	37,381
Financial liabilities		
Trade and other payables	30,881	46,376
Other financial liabilities	26,187	39,678
Borrowings	118,756	132,826
Derivative financial instruments	260	184
	176,084	219,064

a) Market risk

i. Price risk

The consolidated entity has no foreign exchange exposure or price risk on equity securities.

ii. Cash flow and fair value interest rate risk

As the consolidated entity does not have a significant portfolio of interest-bearing assets, the income and operating cash inflows are not materially exposed to changes in market interest rates.

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, cap and collar contracts under which a part of the consolidated entity's projected borrowings are protected for the period from 1 July 2019 to 30 June 2022.

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 swaps effectively fix interest rates applicable to bank bills issued with duration of 1 month (BBSY Bid) at certain levels between 2.070% - 2.495% per annum (2018 – 2.070% - 2.495% per annum). Interest rate caps effectively cap interest rates applicable to bank bills issued with duration of 3 months (BBSY Bid) at certain levels between 1.50% - 1.95% (2018 – N/A). Interest rate collars effectively cap interest rates applicable to bank bills issued with duration of 3 months (BBSY Bid) at 1.50% and apply a floor to interest rates of 0.87% (2018 – N/A). Hedge contracts currently in place cover 46% (2018 - 41%) of the variable loan outstanding at balance date, with terms expiring in 2020, 2021 and 2022.

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 hedge contracts described above covered 46% of the bank loan at balance sheet date of \$118,993,000 (2018 - \$133,193,000).

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

	2019			2018		
	Interest bearing - variable \$'000	Non-interest bearing \$'000	Total \$'000	Interest bearing - variable \$'000	Non-interest bearing \$'000	Total \$'000
Receivables						
Other receivables	-	9,903	9,903	-	13,689	13,689
Employee share loans	-	2	2	-	9	9
	-	9,905	9,905	-	13,698	13,698

	2019			2018		
	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	-	118,993	118,993	-	133,193	133,193
Other financial liabilities	25,806	-	25,806	38,454	-	38,454
	25,806	118,993	144,799	38,454	133,193	171,647

The weighted average interest rate at year end is 2.73% (2018: 3.37%)

An analysis by maturity is provided in [25\(c\)i.](#) 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 financial assets is not significant. Refer to comments above for further information on the impact of changes in interest rates upon the group.

b) Credit risk

The consolidated entity has minimal exposure to credit risk 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 mitigate 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.

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 2019 the group had undrawn committed facilities of \$101,228,000 (2018 - \$146,935,000) and cash of \$13,442,000 (2018 - \$23,692,000) to cover short term funding requirements. Refer to [14\(ii\)](#) 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 2019	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	31,262	-	-	31,262	31,262
Fixed rate	9,941	16,925	-	26,866	25,806
Variable rate	-	125,479	-	125,479	118,756
Derivatives	-	230	31	261	261
Total	41,203	142,634	31	183,868	176,085

Group – at 30 June 2018	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	47,600	-	-	47,600	47,600
Fixed rate	39,000	-	-	39,000	38,454
Variable rate	-	-	147,297	147,297	132,826
Derivatives	121	63	-	184	184
Total	86,721	63	147,297	234,081	219,064

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 on 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 liabilities measured and recognised at fair value at 30 June 2019 and 30 June 2018:

As at 30 June 2019	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities					
Derivatives used for hedging	15	-	261	-	261
Total liabilities		-	261	-	261

As at 30 June 2018	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities					
Derivatives used for hedging	15	-	184	-	184
Total liabilities		-	184	-	184

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.

Capital Management

26. 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	2019 \$'000	2018 \$'000
Total interest-bearing bank debt	14	118,756	132,826
Less: cash and cash equivalents	5	(13,442)	(23,692)
Net debt		105,314	109,134
Shareholders' equity		376,530	353,186
Gearing ratio		28.0%	30.9%

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.

a) Loan Covenants

Under the terms of the major borrowing facilities, the group has complied with covenants throughout the reporting period. Debt covenants are disclosed in [note 14](#) and include requirements in relation to a maximum loan to valuation ratio and a minimum interest cover ratio.

27. Dividends

a. Ordinary shares

	2019 \$'000	2018 \$'000
Fully franked based on tax paid at 30%		
Final dividend for the year ended 30 June 2018 of 18.0 cents (2017 – 18.0 cents) per fully paid share		
- Paid in cash	10,918	14,196
- Satisfied by shares under the dividend reinvestment plan	2,970	-
- Applied to the employee share loans	4	4
Interim dividend for the year ended 30 June 2019 of 18.0 cents (2018 – 12.0 cents) per fully paid share		
- Paid in cash	14,417	5,677
- Satisfied by shares under the dividend reinvestment plan	-	3,502
- Applied to the employee share loans	4	3
Total	28,313	23,382

b. 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 13.5 cents per fully paid ordinary share (2018 – 18.0 cents), fully franked based on the tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 25 October 2019 out of retained profits at 30 June 2019, but not recognised as a liability at year end is below:

	2019 \$'000	2018 \$'000
Dividends not recognised at year end	10,816	14,313

c. Franked Dividends

The franked portions of the final dividend proposed at 30 June 2019 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

	2019 \$'000	2018 \$'000
Franking credits available for the subsequent financial year on a tax-paid basis of 30% (2018 – 30%)	96,261	88,952

The above amounts represent the franking accounts at the end of the financial year, adjusted for:

- i. Franking credits that will arise from the payment of the current tax liability;
- ii. Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- iii. Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$4,635,000 (2018 - \$6,134,000).

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.

28. Subsidiaries	85
29. Interests in joint arrangements	86
30. Deed of cross guarantee	87
31. Parent entity financial information	90

Group Structure

28. Subsidiaries

The group's operating subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares or units 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 [38\(b\)](#).

Company	Notes	Equity Holding	
		2019	2018
BCM Apartment Trust	a.	50%	50%
Champion Bay Nominees Pty Ltd	b.	50%	50%
Cedar Woods Properties Finance Pty Ltd		100%	100%
Cedar Woods Properties Harrisdale Pty Ltd		100%	100%
Cedar Woods Properties Investments Pty Ltd		100%	100%
Cedar Woods Properties Management Pty Ltd		100%	100%
Cedar Woods Property Sales Pty Ltd		100%	100%
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%
Jarraah 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%

- a. The forecast profits of BCM Apartment Trust not expected to be sufficient to make a return to the other ordinary unit holder that ranks behind the consolidated entity for trust distributions. Accordingly, the consolidated entity has not recognised a non-controlling interest.
- b. The net assets of Champion Bay Nominees Pty Ltd are not material to the consolidated entity.

29. Interests in joint arrangements

Set out below are the joint ventures of the group as at 30 June 2019. 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	
	2019 %	2018 %			2019 \$'000	2018 \$'000
Cedar Woods Wellard Limited	32.5	32.5	Joint Venture	Equity method	2,725	3,028

The carrying amount represents the amount attributable to the group.

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

(i) Commitments and contingent liabilities in respect of the joint ventures

Cedar Woods Wellard Limited has no commitments for expenditure at 30 June 2019 (2018: nil) and has no contingent liabilities (2018: nil) to various local authorities supporting development and maintenance commitments.

(ii) 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' share of those amounts.

	2019 \$'000	2018 \$'000
Cedar Woods Wellard Limited		
Current assets		
Cash	1,599	1,019
Other current assets	4,200	2,875
Total current assets	5,799	3,894
Total non-current assets	4,803	7,685
Total assets	10,601	11,579
Total current liabilities	229	275
Total Non-current liabilities	-	-
Total liabilities	229	275
Net assets	10,372	11,304
Group's share in %	32.5%	32.5%
Group's share in \$	3,371	3,674

(iii) Movements in carrying amounts – Cedar Woods Wellard Limited

	2019 \$'000	2018 \$'000
At start of the year	3,028	4,125
Share of profit (loss) after income tax	22	(122)
Capital return	(325)	(975)
At end of the year	2,725	3,028
Share of profit (loss) before income tax	22	(52)
Income tax expense	-	(70)
Share of profit (loss) after income tax	22	(122)
Share of joint venture's revenue, assets, liabilities and contingent liabilities		
Revenue	1,042	1,324
Assets	3,445	3,763
Liabilities	(74)	(89)
Contingent liabilities (bank guarantees)	-	-

The consolidated entity owns a 32.5% (2018 – 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.

30. Deed of Cross Guarantee

Cedar Woods Properties Limited and all subsidiaries listed at note 28 except for Champion Bay Nominees Pty Ltd and the BCM Apartment Trust are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

The companies referred to above as parties to the deed of cross guarantee represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Cedar Woods Properties Limited, they also represent the 'extended closed group'.

Set out below is a consolidated statement of profit or loss and comprehensive income, summary of movements in consolidated retained earnings and consolidated balance sheet for the closed group.

a) Consolidated statement of profit or loss and comprehensive income, and summary of movements in consolidated retained earnings

	2019 \$'000
Revenue from continuing operations	367,593
Other Income	819
Cost of sales of land and buildings	(246,851)
Cost of providing development services	(6,433)
Other expenses from ordinary activities:	(44,725)
Finance costs	(3,072)
Share of net profit of joint ventures accounted for using the equity method	22
Profit before income tax	67,353
Income tax expense	(20,298)
Profit for the year	47,055
Total comprehensive income for the year	47,055

b) Summary of movements in consolidated retained earnings

	2019 \$'000
Retained earnings at the beginning of the financial year	228,595
Profit for the period	47,055
Transfers from reserves	67
Dividends provided for or paid	(28,313)
Retained earnings at the end of the financial year	247,404

c) Consolidated balance sheet

	2019 \$'000
ASSETS	
Current assets	
Cash and cash equivalents	13,277
Trade and other receivables	9,836
Inventories	141,892
Deferred development costs	2,921
Total current assets	167,926
Non-current assets	
Receivables	2
Inventories	337,065
Deferred development costs	8,317
Investments accounted for using the equity method	2,725
Property, plant and equipment	9,640
Investment properties	41,642
Lease incentives	1,224
Total non-current assets	400,614
Total assets	568,540
LIABILITIES	
Current liabilities	
Trade and other payables	30,811
Derivative financial instruments	230
Other financial liabilities	8,957
Current tax liabilities	3,822
Provisions	9,907
Total current liabilities	53,727
Non-current liabilities	
Borrowings	118,756
Derivative financial instruments	31
Other financial liabilities	16,849
Provisions	125
Deferred tax liabilities	5,242
Total non-current liabilities	141,003
Total liabilities	194,730
Net assets	373,810
EQUITY	
Contributed equity	125,979
Reserves	427
Retained profits	247,404
Total equity	373,810

31. Parent Entity Financial Information

The financial information for the parent entity, Cedar Woods, 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:

	2019 \$'000	2018 \$'000
Balance sheet		
Current assets	56,728	69,854
Total assets	398,901	452,073
Current liabilities	(49,050)	(92,930)
Total liabilities	(138,991)	(196,836)
Net assets	259,910	255,237
<i>Shareholders' equity</i>		
Issued capital	125,979	123,018
Reserves	379	393
Retained earnings	133,552	131,826
	259,910	255,237
Profit for the year	23,643	28,876
Total comprehensive income	23,643	28,876

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. 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 and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Cedar Woods, 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 also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

The entities have also entered into a tax funding agreement under which the 100% subsidiaries fully compensate the parent for any current tax payable assumed and are compensated by the parent for any current tax receivable and deferred tax assets relating to unused tax losses that are transferred to the parent under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the 100% subsidiaries' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity when it is issued. The head entity may require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Section 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.

32. Contingent Liabilities	92
33. Commitments	92
34. Events occurring after the reporting period	92

Unrecognised Items

32. Contingent liabilities

a) Bank guarantees

At 30 June 2019 bank guarantees totalling \$14,779,000 (2018 - \$16,941,000) had been provided to various state and local authorities supporting development and maintenance commitments.

b) Claims

Cedar Woods has initiated legal proceedings to recover damages from a contractor in relation to civil and electrical works in 2016 and 2017 at the *St. A* project in Victoria. In response the contractor has lodged a counterclaim for unspecified damages against Cedar Woods. It is not practical to estimate the potential effect of the counterclaim but legal advice indicates the merits of the counterclaim are not strong and that it is not probable that a significant liability will arise.

33. 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	
	2019 \$'000	2018 \$'000
Within 1 year	936	745
Later than 1 year but not later than 5 years	2,287	1,099
	3,222	1,844

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 2019 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 \$11,994,000 (2018 - \$5,597,000), for building construction was \$92,381,000 (2018 - \$103,331,000) and for landscaping construction was \$2,425,000 (2018 - \$6,426,000). This work will be substantially completed in the next 12 months.

34. Events occurring after the reporting period

In July 2019 the company completed the annual review of its corporate finance facility resulting in an 18-month extension and modified terms. The changes include the introduction of a third lender to the \$205 million facility as well as longer facility tenure, with the previous three year facility now comprising a mix of three year and five year debt. The updated terms include:

- Extension of an additional year for approximately 80% (\$165 million) of the facility to June 2022;
- Facility term extended to five years for approximately 20% (\$40 million) of the total facility to June 2024; and
- Tailoring the facility terms to suit the Company's current and future requirements.

The improved terms will assist in providing funding for the ongoing growth of the company's national portfolio.

In August 2019 the company completed due diligence and went unconditional on its contract to acquire 133 Salvado Road, Subiaco, a 1.4 hectare former TAFE site located 4.7km from Perth. The \$15.05m (plus GST) acquisition will settle in July 2020.

Section E: Further Information

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

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35. Related Party Transactions

a) Key management personnel compensation

Additional disclosures relating to key management personnel are set out in the [Directors' Report](#).

	Consolidated	
	2019 \$	2018 \$
Short-term employee benefits	2,561,165	3,067,325
Post-employment benefits	154,052	181,388
Long-term employee benefits	16,553	245,255
Termination benefit	-	74,523
	2,731,770	3,568,491

At 30 June 2019, an amount of \$Nil (2018 - \$5,365) was outstanding on a loan to a key management personnel employee issued under the former employee share plan. Under the now discontinued plan, certain employees were granted shares funded by interest free loans from the company and with the loans repaid by dividends.

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 [28](#).

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 \$284,427 (2018 - \$378,896) from Cedar Woods Wellard Limited.

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 lower than in the previous year as a result of the timing of architectural and design work performed on the Williams Landing Town Centre and the Glenside project in Adelaide. The Glenside project was introduced to the company by Hames Sharley.

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.

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 FY2019 was similar to that of the previous year and as a result the value of transactions with Westland Settlement Services Pty Ltd is also similar.

Cedar Woods has for many years been a member of the Australian Institute of Company Directors (AICD). Mr P S Sadleir (former Managing Director) was a council member of AICD WA. The annual subscription paid in 2018 was based on normal commercial terms and conditions.

In 2019 and 2018 a payment was made for sponsorship of the Property Education Foundation Inc. of which Mr R Packer is a trustee with no beneficial interest. The transaction was based on normal commercial terms and conditions.

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

	2019 \$	2018 \$
Amounts recognised as expense		
Creative design services	30,908	26,240
Settlement fees	189,616	181,985
Subscriptions	-	10,000
Sponsorships	3,182	3,182
	223,706	221,407
Amounts recognised as inventory/ investment property		
Architectural fees	221,993	578,016
	221,993	578,016
Total amounts recognised in year		
	445,699	799,423
Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Cedar Woods or their related entities:		
Inventory	219,718	571,316
Investment property	2,275	6,700
	221,993	578,016

There are no aggregate amounts payable to directors of Cedar Woods at balance date. There are no amounts payable to related entities at balance date relating to the above types of other transactions.

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

There were no balances outstanding at the end of the reporting period in relation to transactions with related parties (2018 – Nil).

36. Remuneration of Auditors

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

	2019 \$	2018 \$
PricewaterhouseCoopers – Australian firm		
Assurance services		
- Audit and review of the financial statements	215,457	243,680
Non-audit services		
- Taxation advice and reviews	48,960	27,540
- Accounting advice	10,896	-
Total fees for non-audit services	59,856	27,540
Total assurance and non-audit services	275,313	271,220

37. Employee Share Scheme

The current Long Term Incentive (LTI) plans effective from 1 July 2016 for FY2017, from 1 July 2017 for FY2018 and from 1 July 2018 for FY2019 will continue in FY2020.

The current LTI plan has two vesting conditions a) a 3 year service condition and b) two performance conditions measured over a 3 year period: 50 per cent 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 current LTI plan are set out in the remuneration report on pages 34 to 36 of this annual financial report.

38. 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. Where necessary, comparative information is reclassified and restated for consistency with current period disclosures. The financial statements are for the consolidated entity consisting of Cedar Woods 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 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 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. New and amended standards adopted by the group

A number of new or amended standards became applicable in the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 39.

iv. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 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	AASB 16 Leases
Nature of change	AASB 16 was issued in February 2016. For lessees, 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.
Impact	The group has reviewed all of the group's leasing arrangements in light of the new lease accounting rules in AASB 16. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of \$3,222,000, see note 33. Of these commitments, approximately \$27,000 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

Title of Standard	AASB 16 <i>Leases</i> (continued)
Impact (continued)	<p>For the remaining lease commitments, the group expects to recognise right-of-use assets of approximately \$2,792,000 on 1 July 2019, lease liabilities of \$2,984,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and deferred tax assets of \$57,000. Overall net assets will be approximately \$134,000 lower, and net current assets will be \$771,000 lower due to the presentation of a portion of the liability as a current liability.</p> <p>The group expects that net profit after tax will decrease by approximately \$136,000 for FY2020 as a result of adopting the new rules. Adjusted EBIT is expected to increase by approximately \$98,000 as the operating lease payments were included in EBIT, but the interest on the lease liability is excluded from this measure.</p> <p>Operating cash flows will increase and financing cash flows decrease by approximately \$98,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.</p> <p>The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.</p>
Mandatory application date/ Date of adoption by group	<p>The group will apply the standard from its mandatory adoption date of 1 July 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.</p>

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.

v. Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Cedar Woods.

b) Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Cedar Woods (parent) as at 30 June 2019 and the results of all subsidiaries for the year then ended. Cedar Woods 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.

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 [28](#).

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) 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.

d) Business combinations

The acquisition method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, or liabilities undertaken at the date of acquisition. Acquisition related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values at the date of acquisition. The discount rate used is the incremental borrowing rate applied by the consolidated entity's financiers for a similar borrowing under comparable terms and conditions.

e) Revenue recognition

i. Sale of land and buildings

Revenue arising from the sale of land and buildings is recognised when control over the property has been transferred to the customer. In most of the group's contracts this is the point in time at which legal title passes to the customer.

The revenue is measured at the transaction price agreed under the contract, with revenue relating to customer rebates recognised separately where applicable.

ii. Sale of land and buildings – customer rebates

Certain contracts for the sale of land and buildings include an obligation of the group to provide goods, services, or payments to the customer, subject to certain performance conditions. These contracts provide a right to customers that forms a separate performance obligation.

The transaction price is allocated to the performance obligations on a relative stand-alone selling basis. Management estimates the stand-alone selling prices at the point in time that legal title passes to the customer based on the contract value, and observable market prices of similar services.

The likelihood of redemption of each customer rebate is estimated at the time of transfer of legal title. If the performance conditions of the customer are not met within the terms of the contract, the obligation expires, and the group recognises the revenue attributable to the performance obligation without delivery of the goods, services or payment

iii. Development services

Revenue from development services is recognised at a point in time where the group has satisfied contractual performance obligations and control over the output has passed to the customer. In most instances this coincides with the transfer of legal title of the developed land or building.

iv. Lease income

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

f) 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 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.

g) 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.

h) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. 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.

For trade receivables, the group applies the simplified approach permitted by AASB9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. To measure the lifetime expected credit loss for rental debtors, a provision is raised against each debtor based upon the payment profile over the last 12 months, adjusted for current and forward-looking information supporting the expected settlement of the receivable.

i) 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.

j) 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.

k) 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.

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 and other financial assets

i. Classification

From 1 July 2018, the group classifies its financial assets in the following categories:

those to be measured at fair value through profit or loss; and

those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

ii. Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

iii. Impairment

From 1 July 2018, the group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

n) Investment property

Investment property, principally comprising retail property, is held for long term rental yields and is not occupied by the consolidated entity. Investment property includes properties under construction for future use as investment property and is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis to write off the net cost of each investment over its expected useful life to the consolidated entity. The expected useful life of investment property 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.

o) 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.

p) **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.

q) **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.

r) **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.

s) **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.

t) **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.

u) **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.

v) **Other financial liabilities**

Other financial liabilities at fair value through profit or loss are financial liabilities due to vendors of properties under contracts of sale and other payables. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months, otherwise they are classified as non-current.

w) **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.

x) 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.

y) 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.

z) Earnings per share

i. Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to owners of Cedar Woods 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.

aa) Rounding of amounts

The company is of a kind referred to in *ASIC Legislative Instrument 2016/191*, relating to the 'rounding off' of amounts in the financial statements.

Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

bb) 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.

39. Changes in Accounting Policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the group's financial statements.

a) Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the total profit and net assets disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Statement of profit or loss and other comprehensive income (extract) -	As originally presented	Impact of AASB15	Restated
Year ended 30 June 2018	\$'000	\$'000	\$'000
Revenue from operations			
Sale of land and buildings	231,495	834	232,329
Expenses			
Cost of sales of land and buildings	(137,431)	(834)	(138,265)
Profit for FY2018	42,603	-	42,603
Balance Sheet (extract) -	As originally presented	Impact of AASB15	Restated
Year ended 30 June 2018	\$'000	\$'000	\$'000
Current liabilities			
Provisions	8,103	(7,079)	1,024
Contract Liabilities	-	7,079	7,079
Total current liabilities	109,569	-	109,569
Net assets / Equity	353,186	-	353,186

b) AASB9 *Financial Instruments* – impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

AASB 9 was adopted without requiring restatement of comparative information. No adjustments arose from applying the new impairment rules to trade receivables. The group does not adopt hedge accounting and does not have the categories of financial assets removed from the standard's application.

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 38.

c) AASB15 *Revenue from contracts with Customers* – impact of adoption

The group has adopted AASB15 from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2018 financial year.

i. Accounting for customer rebates

Obligations to deliver goods and services to customers after residential lot settlements such as the provision of fencing and landscaping are recognised as provisions at settlement. Under AASB15 revenue relating to this component of sales revenue previously recognised at settlement of the residential lot is now deferred to the time

the good or service is delivered. The corresponding expense relating to delivering the good or service is also deferred. The timing of profit recognition has not been impacted by this change.

The adoption of AASB 15 from 1 July 2018 has not required any adjustment to retained earnings in prior periods and the changes required to the amounts recognised in the statement of profit or loss and other comprehensive income for the comparative period presented (year ended 30 June 2018) are reflected in the table in note 39(a) above.

ii. Presentation of assets and liabilities related to contracts with customers

The group has also changed the presentation of certain amounts in the balance sheet to reflect the terminology of AASB15, with contract liabilities now recognised for customer rebates formerly presented as provisions for customer rebates (\$5,813,000 at 30 June 2019; \$7,079,000 at 30 June 2018) and advanced sales commissions now disclosed as contract assets within trade receivables formerly disclosed as prepayments within trade receivables (\$2,144,000 at 30 June 2019; \$1,968,000 at 30 June 2018).

40. 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 development and investment 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 mainly sells products to the public and is not generally reliant upon any single customer for 10% or more of the group's revenue. In FY2019 the sale of the Target Head Office building resulted in a single sale to a single customer for greater than 10% of the group's full year revenue, however this is not a typical occurrence.

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.

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Directors' Declaration

In the directors' opinion:

- a) the financial statements that are set out in the financial statements section and notes on pages 55 to 104 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 2019 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 28 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 30.

Note 38(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.



Nathan Blackburne

Managing Director

Perth, Western Australia
27 August 2019

Independent Auditor's report



Independent auditor's report

To the members of Cedar Woods Properties Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Cedar Woods Properties Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Cedar Woods Properties Limited is an Australian property development company. The Group'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.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$3.4 million, which represents approximately 5% of the Group's profit before tax. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The accounting processes are structured around a Group finance function at its head office in Perth. Our audit procedures were predominately performed at the Group head office, along with a number of property and development site visits being performed across the year. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Management Committee: <ul style="list-style-type: none"> Valuation of inventory Recognition of revenue These are further described in the <i>Key audit matters</i> section of our report.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of inventory (Refer to note 7) \$482m</p> <p>As of 30 June 2019, the Group recognised total inventory of property held for sale of \$482m.</p> <p>Inventory is stated at the lower of cost and net realisable value for each development project.</p> <p>The Group's estimate of net realisable value includes assumptions about future market and economic conditions which inherently are subject to the risk of change. These assumptions include future sales prices, future settlement rates, forecast costs of completion, selling costs and the nature, quality and location of inventory held.</p> <p>This was a key audit matter given the relative size of the inventory balance in the consolidated balance sheet and the significant judgement involved in the estimates used to calculate net realisable value.</p>	<p>We obtained an understanding and evaluated the design of relevant controls in relation to inventory valuation.</p> <p>We tested the capitalisation of a sample of expenses and interest into inventory during the period.</p> <p>We obtained publically available independent property market reports to inform our understanding of market conditions.</p> <p>We applied a risk-based assessment to determine those development projects where there is a greater risk that the carrying value of the inventory may be in excess of net realisable value. Our risk based selection criteria incorporates our knowledge of the life cycle of each project from prior years, site visits and our understanding of current economic conditions relevant to individual project locations. In addition to these risk conditions we focus on specific projects for testing which are large contributors to revenue and profit in the year or are experiencing declining gross margins.</p> <p>For the selected projects we performed a combination of one or more of the following audit procedures:</p> <ul style="list-style-type: none"> • We discussed current project performance with the development manager including factors such as the key project risks, strategy, construction progress, current market conditions and the outlook for sales revenue over the remaining life of the project. • We obtained management's net realisable value assessment of the project. • We obtained the cash flow model performed by management and assessed the key assumptions. A key focus was comparing development expenditure and forecast sales value for each project to actuals known from the current period and comparable projects. We also performed a sensitivity analysis on certain assumptions in the cash flow model as well as assessing mathematical accuracy of the cash flow model.



Key audit matter	How our audit addressed the key audit matter
<p>Recognition of revenue (Refer to note 1) \$376m</p> <p>Revenue was the most significant amount in the consolidated statement of profit or loss and other comprehensive income. Revenue of \$376m was comprised of a number of streams, including sale of land and buildings of \$362m.</p> <p>Sale of land and buildings was a key audit matter due to the financial significance of these sales to the Group's results and the complexity around the timing of recognition of revenue.</p>	<p>In addition and where available for a project, we obtained the external third party prepared valuation reports, not older than 12 months. We compared the valuation in the external third party prepared valuation report to the carrying value of the project inventory.</p> <p>We obtained confirmations from settlement agents and lawyers for land and buildings settled during the year, and compared the sales price and settlement date on the confirmation to the Group's accounting records. We vouched total revenue from sale of land and buildings to settlement proceeds received in the bank account.</p> <p>We evaluated a sample of settlements recorded for the month of June 2019 and July 2019 against supporting documentation to determine whether they were recorded in the correct period based on the terms in the relevant sales agreement.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Letter from the Chairman, Letter from the Managing Director, Financial Performance Highlights, Our Business, Financial and Operating Review, Directors' Report, Corporate Directory and About Cedar Woods. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.



Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 28 to 47 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Cedar Woods Properties Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Cedar Woods Properties Limited for the year ended 30 June 2019 included on Cedar Woods Properties Limited's web site. The directors of the Company are responsible for the integrity of Cedar Woods Properties Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
27 August 2019

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

Valerie Anne Davies, FAICD

Jane Mary Muirsmith, BCom (Hons), FCA, GAICD

Nathan John Blackburne, BB, AMP, GAID – Managing
Director

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

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: Wednesday 6 November 2019
