2020 Annual Financial Report

Cedar Woods Properties Limited
ABN 47 009 259 081

CEDAR WOODS
DEVELOPING TOMORROW TODAY

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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DEVELOPING TOMORROW TODAY

LETTER FROM THE CHAIRMAN

For more than three decades, since our inception in 1987, Cedar Woods has successfully navigated many economic cycles.

Throughout these cyclical peaks and troughs, our disciplined and customer-focused approach has remained consistent. This approach has proven fundamental to overcoming the complexities of the past and it underpins the resilience of our portfolio today.

As we face the social and economic challenges of 2020, we continue to reflect on and enhance our ability to transcend cycles, stay the course and emerge stronger.

Beyond the sharp impact of COVID-19 we look forward to a reshaping of the economy, sector by sector. Assisted by the Federal Government's HomeBuilder package and respective state government incentives, opportunities are available in the Australian property market to those nimble enough to respond. As the country begins to recover and migration levels rise, as the life in the 'lucky country' is once again sought, Cedar Woods is well prepared.

In recent years, Cedar Woods has been quietly responding to state governments' pursuit of infill development, investing in market intelligence to innovate our product ready to meet future demand. We understand the emerging needs of new home buyers and how to create a high-quality built form product that appeals to them.

The Company's disciplined capital management has enabled our expansion into this more capital-intensive product, all the while maintaining our moderate gearing levels. Our strategy of establishing diversity in the Cedar Woods' project portfolio in terms of price, product and geography has seen our projects continue to perform and, relatively speaking, proving somewhat resistant to recent impacts.

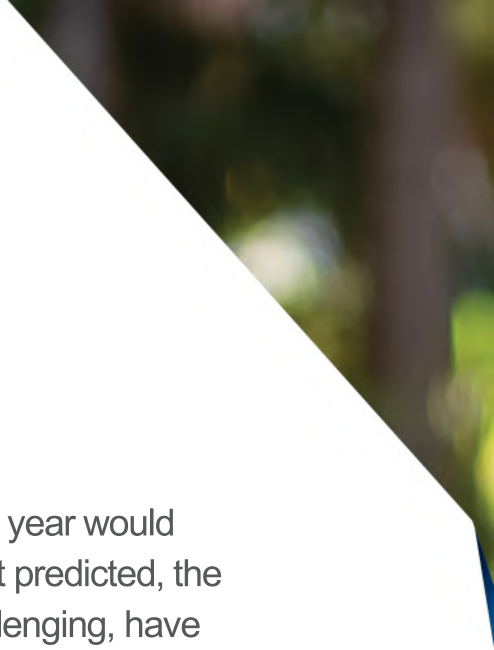
With a resilient portfolio and proven-track record of overcoming challenges, Cedar Woods is in a robust position, able to take on the complexities of today and emerge well positioned to meet the customer demands of the future. We will continue to make disciplined decisions that retain value in the business for our shareholders while maximising opportunities to meet the aspirations of Australian home buyers.

In conclusion, I acknowledge the strong culture and high-performance of the Cedar Woods team. In the face of challenges, our people continue to demonstrate personal strength and unwavering commitment to customers. On behalf of the Board, I thank Nathan and his team for their valuable contribution to Cedar Woods and delivering returns to shareholders while building for the future.

I also take this opportunity to thank our loyal shareholders for their support.

Sincerely,

William Hames
Chairman



LETTER FROM THE MANAGING DIRECTOR

Last year, Cedar Woods predicted that the 2020 financial year would be defined by the second half. While a pandemic was not predicted, the past six months have been significant and, although challenging, have confirmed the resilience of the Company's operations and national property portfolio.

As we continue to navigate our way through the COVID-19 pandemic, the Company is in a strong position, both operationally and financially, with more than 9,000 lots/units in our development pipeline and $360 million of presale contracts in place, as at 30 June 2020.

Determined to grow even stronger from this period, we continue to deploy our strategy with several initiatives in place to accelerate recovery. The Company's July 2020 announcement of the conditional acquisition of land in one of Australia's highest growth areas, Burpengary, Queensland, demonstrates that we continue to seek out and assess further growth opportunities.

With a focus on quality, the Cedar Woods portfolio maintains a significant exposure to highly sought-after infill developments which have proven to outperform the market. During the first half of the year, the Company advanced its development and construction program across its national portfolio in Queensland, Western Australia, South Australia and Victoria.

When impacted by the external shocks of the second half, our recently completed digital transformation program enabled seamless remote working. Marketing and sales adapted, and Cedar Woods started to use electronic sales contracts more widely, protecting our customers and people.

Throughout, we have maintained financial health via prudent capital management including cost reduction initiatives. We continue to enjoy strong support from our banking partners, positioning us well to pursue opportunities in an environment where development lending has tightened.

Given the extraordinary economic impact of COVID-19, subdued buyer confidence and ongoing market uncertainty, we are prepared for a multi-year recovery. Conditions are likely to remain difficult, but our customer-focused team remains up for the challenge. A strong balance sheet and an extensive list of new projects, which are starting to contribute to growth, give us a position of strength.

I thank the Board for its continued support and look forward to leading our high performance and enterprising team as we rise to the future opportunities that will present as the Australian economy recovers.

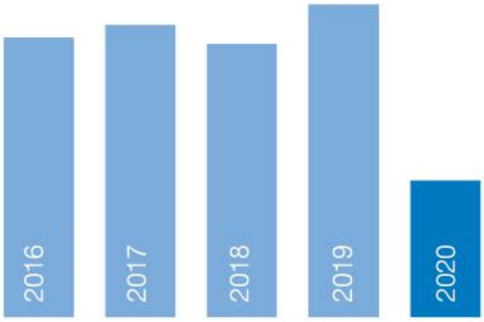
Sincerely,

Nathan Blackburne
Managing Director

FINANCIAL PERFORMANCE HIGHLIGHTS

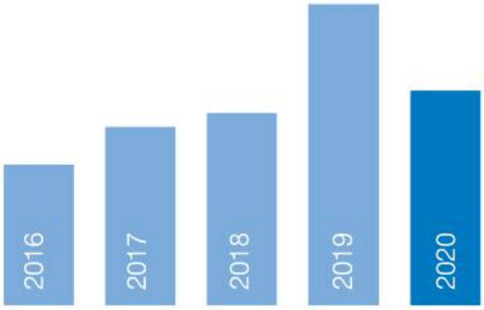
NET PROFIT AFTER TAX

$20.9m



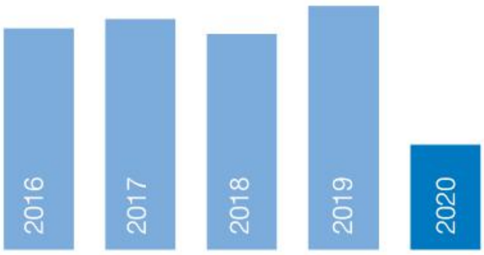
TOTAL REVENUE

$260.7m



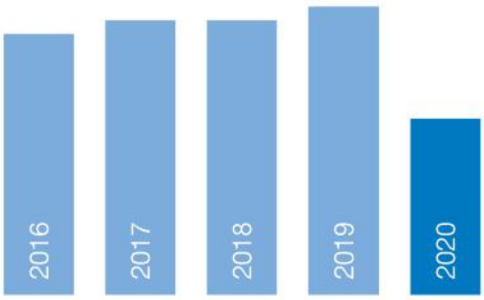
EARNINGS PER SHARE

26.0c



FULL YEAR DIVIDENDS

19.0c



RETURN ON EQUITY

5.5%

Below company benchmark of 10%

TOTAL SHAREHOLDER RETURN

-2.4%

Outperformed All Ordinaries of -10.4%, Small Industrials of -10.2%, Peer group average* of -21.3%

PRESALE CONTRACTS

$360m

Up $30m

NET BANK DEBT TO EQUITY

37.7%

At the lower end of target range of 20%-75%

*Peer group average includes 6 ASX listed residential property developers.

OUR BUSINESS

OUR HISTORY

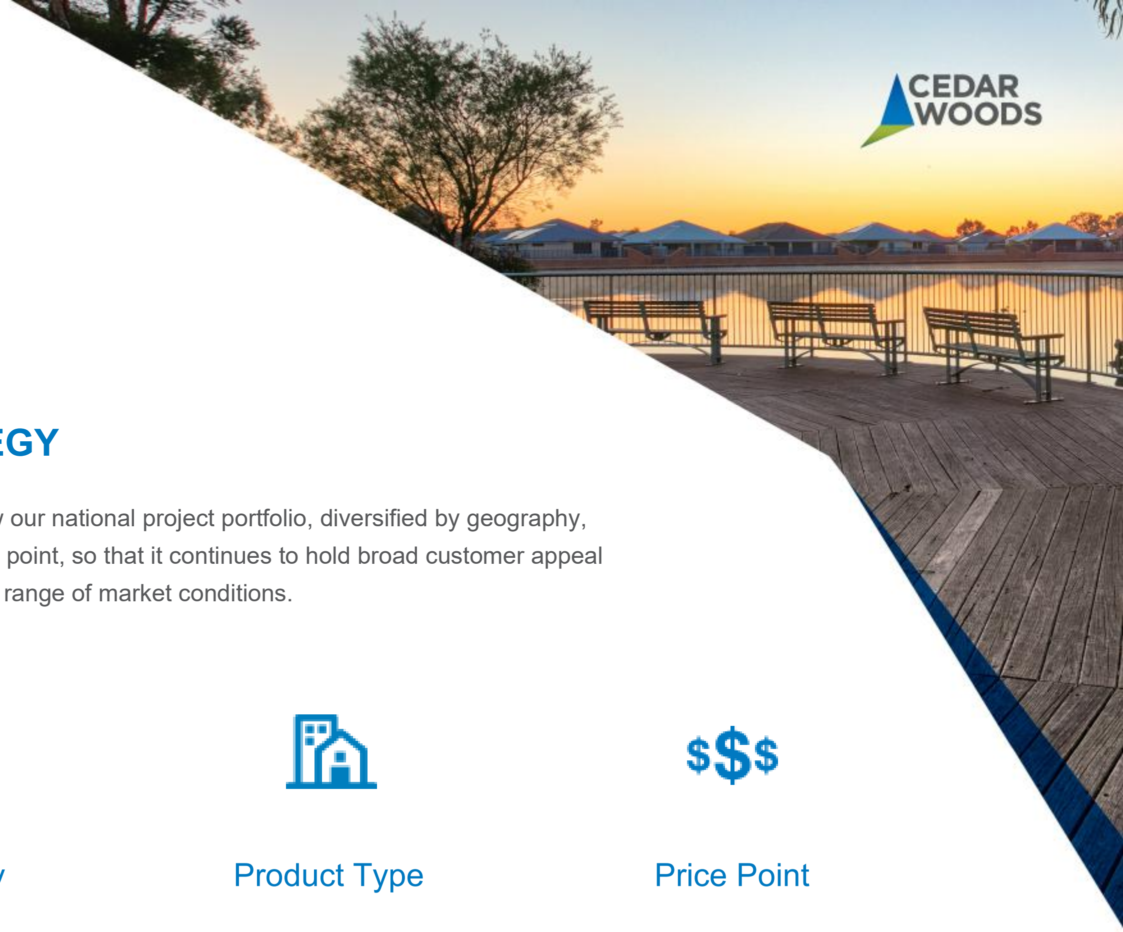
Cedar Woods was established in 1987 and listed on the ASX (Code: CWP) in 1994. Starting out as a developer of master planned communities in Western Australia, the company progressively branched out into new product areas and geographies. The company expanded into Melbourne in 1997, then Brisbane in 2014 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 our states.

Product Type

Range of housing lots, apartments, townhouses and commercial properties.

Price Point

Wide range of price points offered in Queensland, South Australia, Victoria and Western Australia.

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 timely value-adding 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 optimize 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.

Financial Strength

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

Operational Excellence

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

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.

FINANCIAL AND OPERATING REVIEW

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

The following summarises the results of operations during the year and the financial position of the consolidated entity at 30 June 2020 which were significantly impacted by COVID-19:

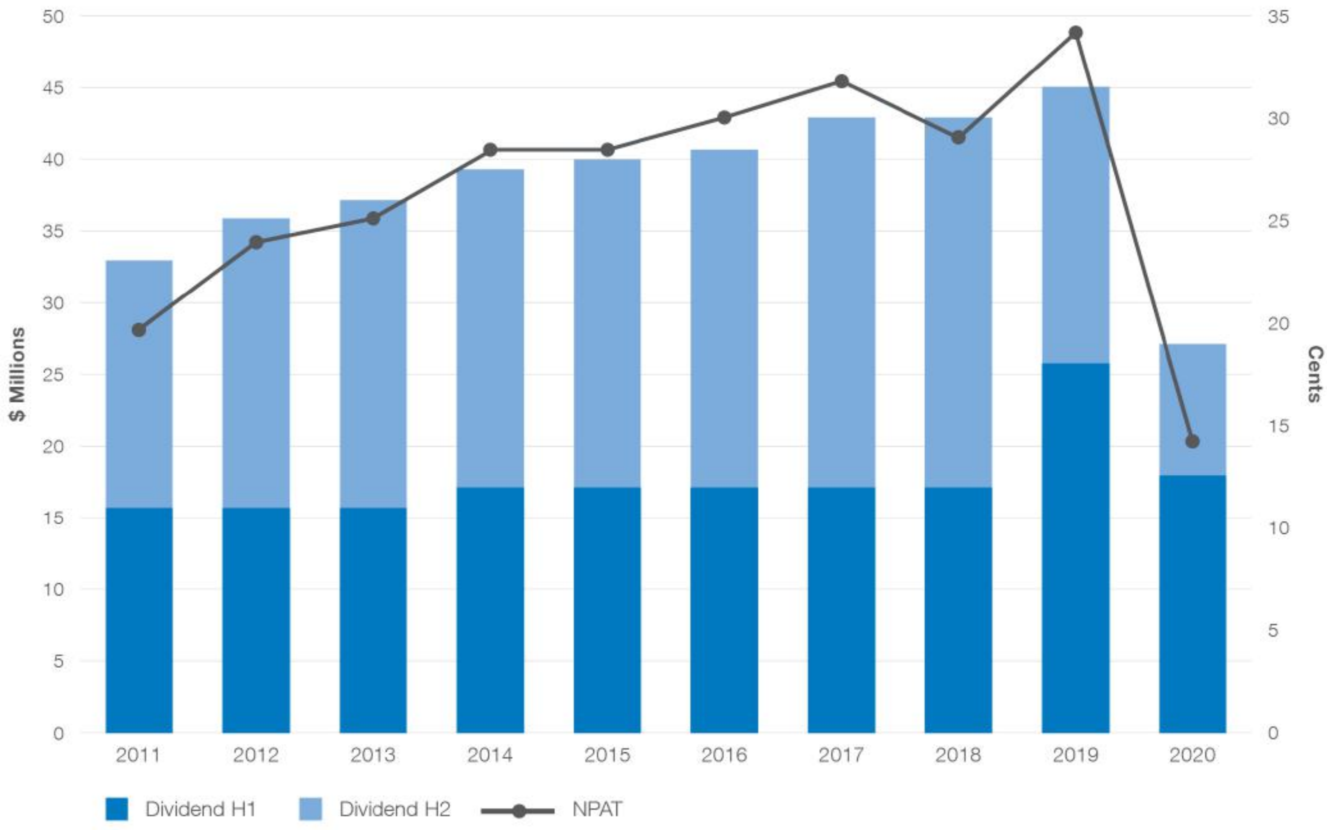
2020 FINANCIALS AT A GLANCE

- Revenue of $260,660,000 down 30.5 per cent on the prior year
- Net profit after tax of $20,899,000, down 57.0 per cent on the prior year
- Total dividends of 19.0 cents per share, down 39.7 per cent, generating a fully franked yield of 3.6 per cent at year end
- Earnings per share of 26.0 cents, down 57.3 per cent on the prior year
- Total shareholder return of -2.4 per cent

NET PROFIT AFTER TAX (NPAT) AND DIVIDENDS

In FY2020, the company delivered a profit of $20.9 million. This was down 57.0 per cent from the prior year, although followed profit growth in eight of the nine previous years. Dividends declared for FY2020 were 19.0 cents per share, also down from 31.5 cents per share in the prior year after nine years of increasing or stable dividends.

NPAT AND DIVIDENDS DECLARED SINCE FY11



2020 FINANCIAL RESULTS SUMMARY

Year ended 30 June	2020 $'000	2019 $'000	% Change
Revenue	260,660	375,149	(30.5)
Net profit after tax (NPAT)	20,899	48,644	(57.0)
Total assets	646,742	571,711	13.1
Net bank debt	142,671	105,314	35.5
Shareholders' equity	378,685	376,530	0.6

Key performance indicators

Year ended 30 June		2020	2019	% Change
Basic earnings per share	¢	26.0	60.9	(57.3)
Diluted earnings per share	¢	25.8	60.6	(57.4)
Dividends per share – fully franked	¢	19.0	31.5	(39.7)
Return on equity	%	5.5	12.9	(7.4)
Return on capital	%	6.2	14.9	(8.7)
Total shareholder return (1 year)	%	-2.4	5.3	(7.7)
Net bank debt to equity – 30 June	%	37.7	28.0	9.7
Net bank debt to total tangible assets (less cash)	%	22.3	18.9	3.4
Interest cover	x	6.1	8.6	(2.5)
Net tangible asset backing per share – historical cost	$	4.67	4.67	-
Shares on issue – end of year	'000	80,448	80,118	0.4
Stock market capitalisation at 30 June	$'000	421,547	456,671	(7.7)
Share price at 30 June	$	5.24	5.70	(8.1)

FINANCIAL YEAR OVERVIEW

Cedar Woods started FY2020 with expectations of delivering moderately lower earnings than the record net profit of $48.6 million achieved in FY2019. This outlook was supported by pre-sale contracts on hand at 30 June 2019 totaling $330 million, approximately two thirds of which were expected to settle in FY2020. While property market conditions remained challenging in the first half of FY2020, the Company delivered a net profit of $10.2 million in the first half and remained on track to meet its full year earnings target, albeit with earnings weighted to the second half and particularly the final quarter, which is not unusual for the Company.

The first two and a half months of calendar year 2020 saw improving conditions in most property markets and particularly WA, which had experienced consecutive months of good enquiry and improved sales following a summer marketing campaign. In February 2020 some of our builders expressed some concern over the timely availability of particular building materials that were sourced from China, which was experiencing disruptions to manufacturing as it dealt with the early stages of the COVID-19 pandemic. This risk was noted in our first half results release in February 2020 and was largely resolved in the subsequent months with alternative supplies being sourced locally or from China following factories returning to business.

Over February and March 2020, Cedar Woods took early proactive measures across the business to safeguard its staff, customers and other stakeholders and to ensure as much as possible the smooth running of its property developments in the face of the evolving COVID-19 pandemic. The digital transformation the business had undertaken over the previous eighteen months, as part of delivering on the Company's Operational Excellence strategic priority, put the technology and business continuity systems in place to support a mobile and flexible workforce and allowed the Company to remain engaged with staff, customers and business partners and continue to operate effectively while working remotely from corporate offices.

In response to the evolving pandemic in Australia, on 20 March 2020, the Company made an ASX announcement informing the market that it was unable to confirm profit guidance given the potential disruption that could arise from construction workers, local councils and other certifying authorities being unable to attend work and thus the impact on the delivery and settlement of a significant number of lots, homes and offices that were due to settle in the final quarter of FY2020.

While sales centres remained open via appointment, social restrictions and weak buyer demand impacted enquiry and sales over late March, April and May 2020. Further social distancing guidelines for construction sites slowed the rate of construction and impacted development completions, with a significant portion of settlements previously anticipated in May and June 2020 being delayed to early FY2021. This resulted in revenue and profit being significantly down in FY2020 on the prior year, 31 per cent and 57 per cent respectively. Gross margin moderated from 29 per cent in FY2019 to 27 per cent in FY2020 as a result of different product mix settling and some discounting to accommodate market conditions. The Company had settlements from 24 projects in FY2020, each with different profit margins and the portion of settlements from each project impacting the overall gross margin for the Company.

Acknowledging the important contribution the housing industry makes to the national economy, and the potential disruption to the industry caused by the COVID-19 pandemic, in early June 2020, the Federal Government announced the *HomeBuilder* scheme, which provides a $25,000 grant to owner-occupiers to build new homes, subject to certain criteria. In addition to this, the WA State Government announced the *Building Bonus Package*, which provides an additional $20,000 grant for new homes in single-tier developments, that are contracted by 31 December 2020. The national *HomeBuilder* grant resulted in increased sales enquiry around the country in June 2020 and the combined grants on offer for WA home buyers saw the Company achieve WA sales of more than four times usual levels in June 2020, with the sales expected to deliver settlements and revenue in FY2021.

The combined impact of slower development completions which delayed a number of settlements into FY2021 and strong sales performance in June 2020 contributed to the Company's $360 million balance of contracted pre-sales at 30 June 2020, which is $30 million higher than the same time in the prior year. These pre-sales are expected to settle over FY2021 and FY2022, with approximately two thirds expected to settle in FY2021.

The lower FY2020 profit result correspondingly impacted the Company's returns, with return on equity of 5.5 per cent and return on capital of 6.2 per cent falling below the Company's benchmarks of 10 per cent and 12 per cent respectively. The one-year shareholder return of negative 2.4 per cent significantly outperformed the All Ordinaries index (negative 10.4 per cent), the Small Industrials index (negative 10.2 per cent) and a peer group average (negative 21.3 per cent). The peer group being made up of six ASX listed residential property developers.

CAPITAL MANAGEMENT

While earnings were delayed, the Company's history of disciplined capital management and continued focus on its strategic priority of Financial Strength positioned it well to deal with the economic fallout of the pandemic.

At 30 June 2020, net bank debt stood at $143 million leaving approximately $68 million in undrawn headroom in the Company's long term debt facilities to fund the development of the Company's existing property portfolio and make additional land acquisitions for growth. Following a significant number of settlements taking place in July 2020, facility headroom increased to more than $85 million at 31 July 2020.

Net bank debt-to-equity at 30 June 2020 was 38 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 22 per cent at year end and interest cover was 6.1 times, well in excess of minimum facility covenant of 2 times. The Company continued to operate within all of its facility covenants throughout FY2020.

Considering the lower earnings outcome in FY2020 of $20.9 million, the Company's low gearing, significant facility headroom at 31 July 2020 and significant presales at 30 June 2020 of $360 million, the Board declared a full year dividend of 6.5 cents per share at a cash cost of $5 million. This brings total FY2020 dividends to 19.0 cents representing a payout ratio of approximately 73 per cent. The Board elected to depart from its longstanding policy of distributing approximately 50 per cent of full year net profit to shareholders, considering the Company's strong capital position, the relatively low cash cost of the final dividend to the Company and the benefit of the fully franked dividends in the hands of shareholders.

The dividend reinvestment and bonus share plans have been reintroduced for the FY2020 final dividend to be paid in October 2020 after being suspended for the interim dividend paid in April 2020 when equity markets were experiencing volatile conditions.

PORTFOLIO HIGHLIGHTS

Cedar Woods' strategy to grow a national project portfolio diversified by geography, product type and price point continues to prove successful. In FY2020 there were many highlights across the portfolio despite the challenging conditions:

- In Western Australia, the launch of *Solaris*, a 290 lot land subdivision within the strong inner south east growth corridor of Perth in March 2020, which has met with strong demand.
- Very strong sales across the WA portfolio in June 2020 of more than four times usual levels, in response to Federal and State Government housing grants announced and available until 31 December 2020.
- In South Australia, completion of the *Botanica Apartments* in June 2020 which saw the first residents moving into the growing community at *Glenside*.
- Commencement of construction of *Grace Apartments*, also at *Glenside* after encouraging early sales that included a penthouse apartment priced at $2.7 million.
- In Victoria, completion of *101 Overton Road* and *107 Overton Road* offices at Williams Landing, with the Victorian Government moving into *107 Overton Road* to operate an emergency communications facility from the offices.
- Commencement of construction of *Huntington Apartments* at *Jackson Green* in Victoria with the 165 apartments also selling out in FY2020.
- In Queensland, continuing strong sales performance at the *Ellendale* estate in Upper Kedron.

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

PROJECT PIPELINE CHART AS AT 30 JUNE 2020

PROJECT NAME	CORRIDOR / LOCATION	PROJECT TYPE	LOT/UNITS PROJECT	LOTS/UNITS REMAIN	FY21	FY22	FY23	FY24	FY25	FY26
WESTERN AUSTRALIA - PERTH										
Mariners Cove, Mandurah	South	Residential Land and Townhouses	982	20						
Ariella, Brabham	North East	Residential Land	877	427						
The Brook at Byford	South East	Residential Land	428	208						
Rivergums, Baldivis	South	Residential Land	1,411	325						
Byford on the Scarp	South East	Residential Land	276	146						
Karmara, Piara Waters	South East	Residential Land	153	20						
Solaris, Forrestdale	South East	Residential Land	310	310						
Bushmead	East	Residential Land	946	648						
Millars Landing, North Baldivis	South	Residential Land	1,553	1,474						
Pinjarra	South	Residential Land	1,080	1,080						
Subiaco	Inner East	Townhouses and Apartments	111	111						
WESTERN AUSTRALIA - "JV" PROJECTS										
Cedar Woods Wellard (Emerald Park)	South	Residential Land	665	56						
Batavia Coast Marina Apartments	Mid-West	Apartments	54	2						
Harrisdale Green	South East	Residential Land and Townhouses	465	252						
				5,079						
VICTORIA - MELBOURNE										
Carlingford, Lalor	North	Residential Land	580	51						
St A, St Albans	North West	Townhouses	254	189						
Jackson Green, Clayton South	South East	Townhouses and Apartments	413	128						
Jackson Green, Clayton South	South East	Huntington Apartments	165	165						
North Melbourne	North West of CBD	Townhouses	15	15						
Wollert	North	Residential Land	543	543						
Williams Landing	West	Residential Land, Townhouses, Apartments	2,344	264						
Williams Landing	West	Lincoln Apartments	69	69						
Williams Landing	West	101 Overton Road Strata Offices	74	37						
Williams Landing	West	Future Apartments / Offices / Townhouses	263	263						
Williams Landing	West	Commercial (17 hectares)		-						
				1,724						
QUEENSLAND - BRISBANE										
Wooloowin Residences	Inner North	Townhouses and Apartments	281	281						
Ellendale, Upper Kedron	North West	Residential Land	900	537						
				818						
SOUTH AUSTRALIA - ADELAIDE										
Glenside	Inner South East	Townhouses and Apartments	877	816						
Botanica apartments, Glenside	Inner South East	Apartments	77	39						
Grace apartments Glenside	Inner South East	Apartments	44	44						
Fletcher's Slip, Port Adelaide	North West	Townhouses and Apartments	497	497						
				1,396						
TOTAL GROUP				**9,017**						

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

The project pipeline excludes conditional acquisitions and Lots/units Remain relates to unsettled lots/units.

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 $20.9 million and total fully franked dividends of 19.0 cents.

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.

The experience of dealing with the COVID-19 pandemic in FY2020 has reinforced the Board's and Management's view that the Company's strategy is appropriate for current and future economic conditions. Diversity of product type has ensured the Company has significant product offering available to purchasers seeking to take advantage of Federal and State Government housing grants predominantly designed for affordable dwellings. Further, with differing market conditions in each state, the company is realising the benefit of its geographical diversity.

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.

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

A focus on maintaining our high performing and high-spirited work environment continued in FY20. Refinement of the Company's reward and accountability systems, recruitment practices and career management has further aligned employee performance to Cedar Woods' objectives.

During FY2020 approximately 10 per cent of existing staff members were promoted to more senior roles, continuing the Company's culture of people development and internal promotion.

Operational Excellence

Important milestones were achieved in the year through the implementation of new technologies and systems. The Company's new Microsoft ERP system went live in October 2019. This new system has improved processes and created efficiencies in procurement, payments, document storage, reporting and data access, and has provided a cloud-based platform to support future business growth. During the onset of the COVID-19 pandemic, staff were able to move seamlessly from being office based to working from home because of the flexibility these new systems provided. The Company has embarked on initiatives in digital marketing to improve customer experience and create a more powerful platform for lead generation and sales.

The Company's excellent safety record continues with the Company having no reportable incidents during the year and maintaining industry-standard safety practices across workplaces and projects.

Sustainability, efficiency and quality continue to drive project design across the portfolio. The Company will review its sustainability practices in FY2021 with a view to reducing environmental and climate-change impacts across its operations. An enhanced Environment, Social, Governance (ESG) report is incorporated into this year's annual financial report.

Supporting local community groups remains an important part of the Company's core values. The *Neighbourhood Grants Scheme* provides funds for small community groups such as sporting clubs, special interest groups and emergency services around the country, funding and supporting activities that play important roles in creating and maintaining community spirit.

Financial Strength

During the year the Company announced the introduction of National Australia Bank (NAB) to the $205 million corporate finance facility and an extension of a component of the facility from 3 to 5 years, diversifying the Company's funding sources and providing a longer maturity date for approximately 20 per cent of the facility. NAB joined ANZ and Bankwest as club facility lenders to the Company. In February 2020 the Company completed the annual review of the facility and extended the terms to 30 January 2023 for the 3-year debt ($165 million) and to 30 January 2025 for the 5-year debt ($40 million).

In June 2020, the Company also extended the tenor of its $30 million finance facility for the *Williams Landing Shopping Centre* at Williams Landing in Victoria. The facility term was extended to have a further 3 years tenure to June 2023.

Earnings Growth

Cedar Woods' strategically located projects across four states, and its diversified product mix, have proven resilient during the COVID-19 pandemic led downturn, notwithstanding the reduction in market demand during the second half, resulting in strong pre-sales at the start of FY2021.

The Company has maintained a growth mindset taking advantage of soft market conditions to secure four significant development sites during the year. In October 2019 the Company announced the acquisition of a 43-hectare site at Wollert, Victoria and, earlier, infill projects in Subiaco and Hamersley in Western Australia. The Company also conditionally acquired 28 hectares of land in Burpengary, Queensland, located within the high growth area of Moreton Bay. These acquisitions will add more than 1,100 dwellings/lots to the Company's national portfolio.

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.

MARKET OUTLOOK

The COVID-19 pandemic and the resultant economic downturn has resulted in challenging market conditions across all of the sectors in which the Company operates. These factors will likely have an adverse impact on property markets until a vaccine is widely available.

Australia's international borders remain closed. Population growth is expected to fall from 1.4 per cent in 2019 (ABS) to around 0.5 per cent in 2020 (Australian Government Treasury), as net overseas migration falls to near zero and temporary residents leave Australia. Victoria and New South Wales have been heavily impacted by this fall in population growth, as these states traditionally receive the highest numbers of immigrants and temporary residents.

Australian GDP is forecast to fall by 3.75 per cent in 2020, followed by an increase of around 2.5 per cent in 2021. Unemployment is forecast to peak at 9.25 per cent in the December 2020 quarter (Australian Government Treasury).

New housing starts are expected to fall by 15 per cent nationally in FY2021 with the majority of falls occurring in the apartment sector (HIA). Median house prices for established property declined by 2 per cent nationally over the June quarter (Domain) with further falls expected.

In response to these conditions, the Federal Government and some state governments have moved quickly to support the construction sector with new housing grants announced in June 2020 to stimulate and maintain employment. The design of the grants favour residential land estates with titled, or soon to be titled stock. This stimulus has resulted in significant increases in sales volumes for some land estates, which is expected to taper off towards the end of 2020. The property industry continues its dialogue with those state governments who are yet to provide targeted housing stimulus, and it is hoped that additional support is announced in coming months.

COMPANY OUTLOOK

While national property market conditions remain challenging with uncertainty over the depth and duration of the economic downturn due to COVID-19, Cedar Woods starts FY2021 in a strong position with $360 million in presales expected to settle over FY2021 and FY2022. Subject to the ability of Federal and State Government's to effectively manage COVID-19, the company is targeting strong growth on FY2020 earnings for FY2021.

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

A number of new projects are expected to contribute to earnings from FY2022, including *Grace Apartments* and *Fletcher's Slip* in South Australia, *Subiaco* and *Hamersley* in Western Australia, *Greville* (Wooloowin) and *Burpengary* in Queensland and *Mason Quarter* (Wollert) and several apartment buildings in Victoria. Further acquisitions are anticipated to supplement the portfolio in future years.

RISKS

The Board has established the Audit and Risk Management Committee to assist the Board in the effective discharge of its responsibility for risk oversight and ensuring that internal control systems are in place to identify, assess, monitor and manage risk. A Risk Management Framework has been established to support the integration of risk management within the business and to promote a culture committed to building long term sustainable value for stakeholders.

The general risks to the Company's 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 metropolitan markets in which it operates, i.e. Western Australia, Victoria, Queensland and South Australia. 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 objectives by managing both prices and volumes through the property cycle.

As described above, during FY2020 the COVID-19 pandemic caused major disruption to the economy and business globally and within Australia, including the business conducted by the Company. During this time management formed a response team led by the Managing Director to formulate and execute its response to the changing situation and impacts on the operations within the business. Frequent meetings were held with the Board, to review and approve the response plan. The ongoing pandemic remains a material risk to the Company insofar as it impacts upon economic activity, employment and migration to Australia and hence population growth, which are major drivers of consumer confidence and housing demand, as well through impacts to the supply chain (mainly in causing delays to completion of projects and settlements). In recent times Federal and State governments have recognised the contribution of the residential housing industry to the economy and have introduced significant stimuli which to an extent has offset the economic impact of the pandemic.

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, climate change risks, competition for staff and project opportunities, and cyber risks.

While the Company has no material exposures to environmental, social and governance (ESG) risks, aside from those related to COVID-19 mentioned above, the ESG report starting on page 22 provides further details on how the Company is managing ESG risks.

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, Independent Director Ron Packer took leave of absence from the Board for health reasons, returning on 5 December 2019. The Board notes that Mr Packer is due to retire by rotation at the forthcoming Annual General Meeting and is not seeking re-election to the Board. Accordingly, the Board wishes to sincerely thank Mr Packer for his long service to the Company and wishes him well in his retirement. We invite shareholders to join the Board to farewell Mr Packer at the 2020 Annual General Meeting.

During the year the Board consolidated the Human Resources and Remuneration Committee and the Nominations Committee into one committee, the Remuneration and Nominations Committee. In addition:

- Independent director Valerie Davies was appointed as Chair of the Remuneration and Nominations Committee; and
- Independent director Jane Muirsmith was appointed as Chair of the Audit and Risk Management 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.

William Hames
Chairman

Nathan Blackburne
Managing Director

ESG
REPORT

Our vision is to be the best Australian property company renowned for performance and quality. We aim to play a positive role in society over the long-term, through our products and services, which are fundamental to human wellbeing in homes and businesses, and through behaving responsibly in our markets and in our communities.

Cedar Woods does more than create vibrant communities. We are proud of our reputation for being environmentally and socially responsible. We continually look for ways to:

- reduce our ecological footprint
- promote affordable housing
- respect indigenous and cultural heritage
- stimulate economic investment and jobs
- foster cooperative stakeholder relationships
- activate the communities we create
- foster diversity, equal opportunity and career development in the workplace
- provide a safe work environment for all who work on Cedar Woods projects; and
- instill our values and promote an ethical business culture through strong governance.

This section communicates our progress and achievements on sustainability, community outcomes and governance, benefiting those affected by our actions.

The link between our values and our sustainability objectives

ENVIRONMENT

PROTECTING THE ENVIRONMENT

Environmental issues, including climate change, are a challenge affecting society globally and we must address them collectively to preserve our planet for future generations.

Cedar Woods recognises that its development activities carry the risk of environmental impact. The strategies to limit this impact are summarised below.

OUR OBJECTIVES

This year the company formulated its Environmental Management Policy which incorporates mitigation and adaption measures for climate change throughout the business lifecycle.

- Our focus on urban infill seeks to mitigate climate change by redeveloping existing brownfield sites to avoid further impact on the natural environment, lower travel emissions by reducing travel distances and encouraging the use of public transport.
- When evaluating the business case for new projects we investigate potential climate change impacts, along with the adoption of mitigation strategies. These factors affect urban design, development outcomes and project feasibility.
- During detailed design we plan for climate responsive solutions, such as conservation and protection of natural bushland, rehabilitation of degraded land, design guidelines (with energy and water efficiency measures) and bush fire risk mitigation.
- During construction we implement strategies and initiatives relating to conservation, revegetation, offsets, environmental management, wildlife protection, water management and, in some cases, infrastructure for renewable energy. We also work to reduce and recycle demolition and construction waste.
- Post construction we engage in activities to monitor and manage ongoing environmental impacts such as fauna surveys, ground water monitoring, and conservation reserve management.

KEY AREAS

SUSTAINABLE COMMUNITIES

Cedar Woods has a strategic focus on creating sustainable communities, with a growing involvement in transit-oriented-development and urban renewal. This enables us to better respond to climate change by reducing urban sprawl, maximising use of existing infrastructure, including public transport, and by developing more compact cities.

BIODIVERSITY

Land development on greenfield estates can impact local bushland habitat, ecological communities and significant species. We aim to minimise and mitigate these impacts to protect biodiversity in surrounding environments. In most cases, only that part of a project site already degraded or denuded is suitable for urban development and environmental rehabilitation.

WATER

Australia's climate is characterised by variability, either severe flooding or long-term drought / water scarcity (often resulting in water restrictions). In response, Cedar Woods is constantly considering where its water is sourced, how efficiently it is used and how water quality is managed.

ENERGY

Implementing strategies to reduce energy use from fossil fuels and increase the uptake of renewable energy is an important part of our carbon emissions mitigation strategy. Most energy initiatives are realised at the building stage.

WASTE

Investigating land for potential contamination, identifying hazardous waste and undertaking remediation and removal of waste to enable urban development, are important considerations when considering new acquisitions and project delivery. We manage demolition and construction impacts by containing or removing contaminants and minimising waste to landfill with subsequent environment and financial benefits.

SUSTAINABLE COMMUNITIES

HOW WE ARE IMPLEMENTING	OUR PROGRESS
We define a sustainable community as having the following attributes: • Compact infill built-form in existing urban areas (brownfields), or new urban expansion areas (greenfields) that benefit from urban infrastructure, community centres, major transport networks and proximity to commercial centres and employment; or • Compact infill urban development connected to high-frequency public transport, such as train stations and bus corridors.	The company has some 2,700 townhouses and apartments in its national development pipeline, making it one of Australia's largest density infill builders. In financial year 2020, for lots / dwellings settled: - 50 per cent are urban infill, within 20 km of a capital city - 88 per cent are close to a commercial centre and major transport network - 40 per cent are medium-high density townhouses or apartments - 38 per cent are within 1 km proximity to high frequency public transport.
	All greenfield land development projects within the portfolio are in a 'Sustainable Communities' context.
	Design and construction of the new Emergency Communications Facility in Williams Landing will bring 300 additional workers to the Town Centre, bringing total employment to 2,100 persons. The Town Centre has some 17 hectares of development land still available for a mix of office, retail and residential projects and is adjacent to rail, bus and freeway connections.
	The company acquired a 1.4 hectare infill urban renewal site in Subiaco (WA) and a 43 hectare site in Wollert (VIC). In Subiaco we will deliver a quality medium density residential development consisting of townhouses and apartments. Wollert will be a master-planned community of over 500 lots and provides for a future train station, town centre, schools and community facilities.

BIODIVERSITY

HOW WE ARE IMPLEMENTING	OUR PROGRESS
Cedar Woods seeks to minimise impacts on biodiversity in line with requirements and internal goals. This includes the preparation of a range of environmental management plans which are referred to authorities for review and approval. Environmental management initiatives vary by project and include measures such as: - vegetation protection, including handing land over to relevant long-term conservation management; - on-site and off-site revegetation and rehabilitation; - wetland management and enhancement; and - fauna protection and relocation. Auditing for compliance against obligations under the applicable management plans and conditions of approval are carried out by authorities.	• **Bushmead (WA).** We continue to implement our environmental management plan, preserving over 185 hectares of this community as pristine natural bushland. This has included bushland revegetation and rehabilitation and the installation of black cockatoo nesting boxes. • **Ellendale (QLD).** Ellendale offers 91 hectare of open space corridors, over 40 per cent of the estate. Our work has consisted of ongoing vegetation maintenance and monitoring of revegetation. • **Ariella (WA).** Referred for Commonwealth environmental approval. We continue to implement the management plan to conserve wetland park, including revegetation and implement the fauna relocation plan (relocation of kangaroos). Revegetation monitoring and maintenance is ongoing. • **Millars Landing (WA)**. We continue ongoing revegetation maintenance and monitoring in the Tramway reserve. • **Harrisdale Green (WA).** This estate is adjacent to the Jandakot Regional Park. Our work includes implementation of a bushland management plan, and interface management, including fencing, with the adjoining 'Bushforever' conservation area. • **The Rivergums (WA).** We continue ongoing revegetation maintenance and monitoring in reserves and parks. Preparation of acid sulphate soils management plan was completed. We achieved audit clearance for the landscape management plan. • **Solaris (WA).** Solaris is situated adjacent a 'Bushforever' area and incorporates a conservation wetland, for which our management plan was approved by the City of Armadale. • **Karmara (WA).** Contamination was removed and remediation audit approved by authorities. Revegetation monitoring and maintenance is ongoing. • **Carlingford (VIC).** The estate incorporates important conservation areas and habitat links. The company continues to protect and manage local fauna under the kangaroo management plan. • **Williams Landing (VIC).** We implement ongoing management and maintenance of conservation management plan for grassland and wetland reserves.

WATER

HOW WE ARE IMPLEMENTING	OUR PROGRESS
We ensure our greenfield projects comply with Better Urban Water Management Guidelines. These require the preparation of a strategic and detailed plan demonstrating how an urban project achieves a holistic water balance and addresses stormwater recharge and water quality.	• All projects conform with applicable state government water sensitive urban design principles to enhance natural water systems, integrate stormwater treatment into the landscape, protect water quality from urban development, manage runoff and reduce peak flows by using retention measures. • The year saw ongoing groundwater monitoring across most greenfield projects to ensure water quality is maintained.
Our Design Guidelines help achieve water efficiency in new home construction. Purchasers are encouraged to reduce potable water consumption by installing rainwater tanks and plumbing them directly for toilet flushing or use in the laundry or installing grey-water systems which use laundry and shower water for irrigation. In Bushmead (WA) and Harrisdale Green (WA), Cedar Woods provides a financial rebate to incentivise the installation of rainwater tanks.	• Design Guidelines apply to all vacant lot sales. • At **Bushmead (WA)** over $150,000 was invested in new rainwater tanks through customer rebates. The estate has met the criteria for compliance and accreditation with UDIA EnviroDevelopment (Water), achieving a 20 per cent reduction in potable water use from statutory compliance. • At **Williams Landing Town Centre** (VIC) the Emergency Communications Facility and 101 Overton Road incorporate rainwater tanks for local harvesting and onsite re-use in addition to water efficient fixtures and fittings for taps, showers and toilets.
As part of its rebate scheme, Cedar Woods offers new lot purchasers with a rebate for waterwise front landscaping packages, to promote water efficiency in our new residential communities.	• Newly appointed landscape contractors for land development estates in WA are 'waterwise accredited'. During FY20 358 waterwise gardens were completed across WA projects.

ENERGY

HOW WE ARE IMPLEMENTING	OUR PROGRESS
Greenfield land development estates incorporate climate responsive subdivision lot layouts. Our Design Guidelines recommend strategies to reduce energy consumption and increase the take-up of renewable energy. In Bushmead (WA) and Harrisdale Green (WA), Cedar Woods provides a financial rebate to incentivise the installation of photovoltaic systems.	• Land development estate Design Guidelines make recommendations that encourage purchasers to incorporate climate responsive design principles; take advantage of renewable energy systems (photovoltaic cells and solar hot water); and incorporate energy efficient fittings and appliances when building their new home. • At **Bushmead (WA)**, Cedar Woods has complied with the UDIA EnviroDevelopment (Energy) criteria by achieving a 20 per cent reduction in off-the-grid power consumption across the estate.
Cedar Woods has the opportunity to contribute to sustainability progress by putting an emphasis on smart and resource-efficient building construction.	• **Botanica Apartments (SA)** achieved 7-star energy rating, with common areas supported by photovoltaic systems. • At the **Emergency Communications Facility (VIC)** a 4.5 star NABERS energy performance was targeted through use of optimized glazing, building fabric, solar renewable energy system, LED sensor lighting control and air-cooled chiller air-conditioning. • At **101 Overton Road (VIC)** a 4.0 Star NABERS energy performance was targeted through use of double glazing, VRV/VRF heating and cooling systems and LED sensor lighting control.
Cedar Woods has started to examine how it can further influence its supply chain to improve its procurement practices by requiring suppliers to optimise environmental outcomes.	• In the coming year Cedar Woods will review its procurement tendering and selection processes to emphasise the company's preference for: supporting local materials; supplies and jobs; emission reduction strategies; and waste minimisation.

WASTE

HOW WE ARE IMPLEMENTING	OUR PROGRESS
Often projects involve the investigation of land for contamination, identifying hazardous waste material and undertaking remediation and removal of waste arising from historic land uses.	• **Subiaco TAFE Site (WA).** Due diligence included detailed investigations to manage the risk of site and building contamination. • **Port Adelaide (SA).** Continuation of asbestos management, site contamination remediation and bulk earthworks. • **Glenside (SA).** Completion of Stage 1 and 2 contamination remediation, with audit certificates issued for both stages. • **Williams Landing (VIC).** Environmental surveys completed. Cedar Woods maintains all relevant Certificates and Statements of Environmental Audit at Williams Landing including those secured prior to acquisition and those relating to the repurpose of the land for residential use.
We manage construction impacts to minimise waste to landfill.	• **Bushmead (WA).** We used recycled concrete pavement in road base and recycled concrete eco blocks for retaining wall construction. Bushmead recently featured as an Urban Development Institute of Australia (UDIA) webinar case study on the use of recycled materials. At Bushmead we are trialing the different soil profiles to increase the use of insitu material for fill and reduce the amount of waste removed from the site. • **Botanica Apartments (SA).** Construction incorporated a 3-bin waste management system to achieve zero waste taken to landfill.

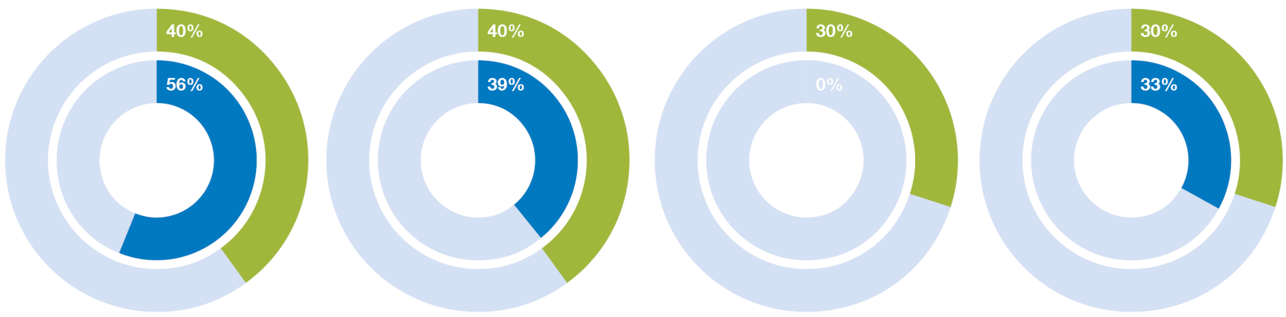
SOCIETY

Maintaining strong Stakeholder relationships is fundamental to Cedar Woods' long-term sustainable success.

OUR PEOPLE

OUR OBJECTIVES	KEY AREAS
Creating a progressive, high spirited, inclusive and safe work environment with strong staff alignment to values and objectives, where top talent work collaboratively and high performance is rewarded.	Strong culture, equal opportunities, diversity, health & safety, development and progression, flexible workplace policies.
HOW WE ARE ENGAGING	**OUR PROGRESS**
Employee engagement surveys are conducted annually and provide valuable insight on the issues that matter to our workforce and our culture. Our staff communications platform, 'Woodsy' enables our employees to keep up to date with the latest news across the Company, access employment policies, collaborate with colleagues and share experiences and content. Utilising an on-line training platform and external providers, we provide targeted training and development opportunities, including health and safety training, and the tools needed to deliver enhanced operational and financial performance in line with our growth strategy.	We increased our gender diversity in the company during the year, with the proportion of females in the workforce increasing from 53 per cent to 56 per cent. We are cognisant that we need to promote and recruit more females to senior management and executive positions, with this objective being positively pursued in our career development and recruitment programs. We were pleased that in our most recent survey 97 per cent of our people completed the employee survey and 90 per cent were either engaged or highly engaged in their roles. Our good health and safety record continued through the effective operation of our work, health and safety systems resulting in no reportable incidents. Our workplace policies in the areas of anti-bribery and corruption and whistleblowing were introduced or updated.

GENDER DIVERSITY



Proportion of women employed in the whole organisation

Proportion of women in senior management positions

Proportion of women in senior executive positions

Proportion of women on the Board

Long term objective %

FY20 Actuals %

In support of our people objectives we have policies on:

Equal employment opportunity	Diversity
Whistleblowing	Flexible working arrangements and special leave
Anti-bribery and corruption	Grievance
Study support	Workplace health and safety

COVID-19

During the COVID-19 pandemic we safeguarded our staff by taking pro-active measures across the business, including introducing new social distancing and hygiene policies, enhanced cleaning practices, formalised working from home arrangements, and a series of other policies informed by government guidelines. Our leading technology and systems enabled the smooth transition to remote working arrangements, including on-line training and performance management and assessment. The program has informed our digital strategy and business continuity planning.

OUR SUPPLIERS

OUR OBJECTIVES	KEY AREAS
Developing strong relationships with like-minded suppliers renowned for good safety and sustainability is key to the operational success of our businesses and ensures that we have agility to develop new and market competitive solutions to meet our customers' needs.	• Long term relationships • Social impacts • Health and Safety
HOW WE ARE ENGAGING	**OUR PROGRESS**
Cedar Woods values long term business relationships built on trust and shared values and behaviours. We recognise our role to ensure that the products and materials included in our developments are responsibly sourced with a view to ensure the company's values are reflected within its supply chain. Our principal suppliers are regularly engaged with and assessed for performance on a range of metrics, with remediation action taken place where required. We are committed to limiting the risk of modern slavery occurring within our business, infiltrating the supply chain or through any other business relationship. As part of this ongoing process we review our principal suppliers' health and safety systems to ensure our own, and the suppliers' workforce is adequately protected. This is enforced with regular audits and occasional site briefings for our Board. Activity on work sites is monitored with regular reports to the Board.	Our most recent review of our suppliers' performance resulted in 98 per cent passing or exceeding the required benchmark, up from 97 per cent in the previous year. During the year we introduced our Modern Slavery Policy and communicated this to our suppliers, with key terms being included in our construction contracts. Test checks have been carried out with major suppliers in our supply chain. Employees responsible for purchasing were trained in order to help us meet our obligations under the Modern Slavery Act 2018. Our good health and safety record continued through the effective operation of our work, health and safety systems resulting in no serious injuries or fatalities on contractor sites.

OUR CUSTOMERS

OUR OBJECTIVES	KEY AREAS
Our customers play an essential role in ensuring the sustainability of our operations. Our aim is to provide our customers improved quality of life, in the fulfilment of our company vision as a company renowned for performance and quality.	• Quality • Value • Customer focus
HOW WE ARE ENGAGING	**OUR PROGRESS**
Cedar Woods engages with its customers from initial enquiry through to eventual product settlement and beyond that as a member of each community. We engage digitally with our customers via our websites and through social media, and in our customer sales centres. Focus groups are frequently established to market test new products before delivery. Customer surveys are conducted throughout the year as products are completed, providing valuable feedback to help us to refine our customer offering and to help drive innovation.	Feedback received from our customers through surveys have indicated high net promoter scores. Our customer relationship management (CRM) system continues to be refined to enhance data analytics and learn more about our customers' requirements. We have embarked on a digital strategy to more effectively capture and manage our leads and enquiries, and a corporate marketing strategy to better coordinate national marketing initiatives.

COMMUNITY

OUR OBJECTIVES	KEY AREAS
We create vibrant, socially beneficial communities by investing in resident wellbeing, nurturing a strong sense of community and maximising social connectivity. We respect indigenous and cultural heritage.	• Social impact • Improving quality of life • Respecting heritage • Housing and workplace affordability
HOW WE ARE ENGAGING	**OUR PROGRESS**
We create communities with amenities, public open space and easy access to transport and community facilities such as schools and ovals. Many of our projects are located close to train stations or transport hubs. We engage with the communities we create with regular family events such as festivals, family fun days, local environmental initiatives and entertainment. At the grass roots level, we support our local communities through the Neighbourhood Grants program. Within particular projects, we preserve local heritage, such as at the Wooloowin project in Queensland, which contains two historic heritage-listed buildings that will be restored and re-purposed within the development. Certain communities include affordable dwellings and offices to appeal to younger or less affluent buyers.	Feedback received from our community engagement provides us vital feedback to help further improve our products. During the year the company received FOUR coveted Urban Development Institute of Australia Awards, being the Residential Excellence Award (more than 250 lots), for Bushmead in WA and best Master-planned Development, best Residential Development and Excellence in Urban Renewal for the Glenside project in SA. Since its inception The Neighbourhood Grants program has donated more than half a million dollars to support a range of community projects, organisations and clubs that operate in the localities of our projects. During the year we created 4 social housing lots at Harrisdale Green (WA) and 13 affordable housing apartments at Glenside (SA).

AFFORDABLE HOUSING

Partnering with the Department of Communities (WA) to provide affordable housing, where 1 in 9 of the dwellings at Harrisdale Green are dedicated to affordable housing product.

SHAREHOLDERS

OUR OBJECTIVES	KEY AREAS
Our purpose is to create long term value for our shareholders. We are committed to transparent and open engagement with our investors.	• Returns to shareholders • Shareholder engagement and communications • Investor relations
HOW WE ARE ENGAGING	**OUR PROGRESS**
The Managing Director and Chief Financial Officer engage with shareholders and potential investors throughout the year with briefings and investor roadshows. The half year and full year results are presented by way of a webcast followed by a question and answer forum. Directors and staff are available to meet with shareholders at the Annual General Meeting. The company conducts investor shareholder feedback surveys on a regular basis to obtain feedback from institutional and retail investors and engages an investor relations consulting firm to assist with its investor relations strategy.	Returns to shareholders over 1, 3 and 5 years are detailed in the remuneration report at page 54 of the annual financial report. Further details with respect to our shareholder communications and disclosures are set out in the Corporate Governance Statement available on our website. When asked in the independently conducted survey how timely Cedar Woods is with its investor communications, investors rated the Company 4.5 out of 5.

CORPORATE GOVERNANCE & BUSINESS ETHICS

The Board of Cedar Woods is committed to achieving and demonstrating the highest standards of corporate governance. The Company updates its comprehensive Corporate Governance Statement annually, a copy of which is lodged with ASX on the date that the Company publishes its full year results. Investors may find a copy in the Governance section (under 'Our Company') on the company website www.cedarwoods.com.au.

GOVERNANCE

Governance is overseen by the Board and its Committees, with the main responsibility areas as follows:

Board of Directors

50% Independent

William Hames – Chair
Robert Brown – Deputy
Ronald Packer
Valerie Davies
Jane Muirsmith
Nathan Blackburne

- Purpose & Vision
- Culture
- Values
- Policies
- Strategy
- Corporate Plan
- Monitoring
- Performance Assessment
- Shareholder Engagement
- Executive Appointments

Audit & Risk Management Committee

100% Independent

Jane Muirsmith – Chair
Ronald Packer
Valerie Davies

- Risk Management Framework
- Risk Monitoring
- Financial Reporting
- Compliance
- W.H.S.
- Cyber Security
- Whistleblowing
- External Auditor Engagement

Remuneration & Nominations Committee

100% Independent

Valerie Davies – Chair
Ronald Packer
Jane Muirsmith

- Board Composition, Skills and Independence
- Nominations
- Succession
- Director Induction
- Board and Executive Remuneration
- Human Resources
- Diversity

RISK MANAGEMENT PROCESS

The Board has ultimate responsibility for internal compliance and control. The Board has established the Audit and Risk Management Committee as responsible for overseeing and ensuring that internal control systems are in place to monitor and manage risk.

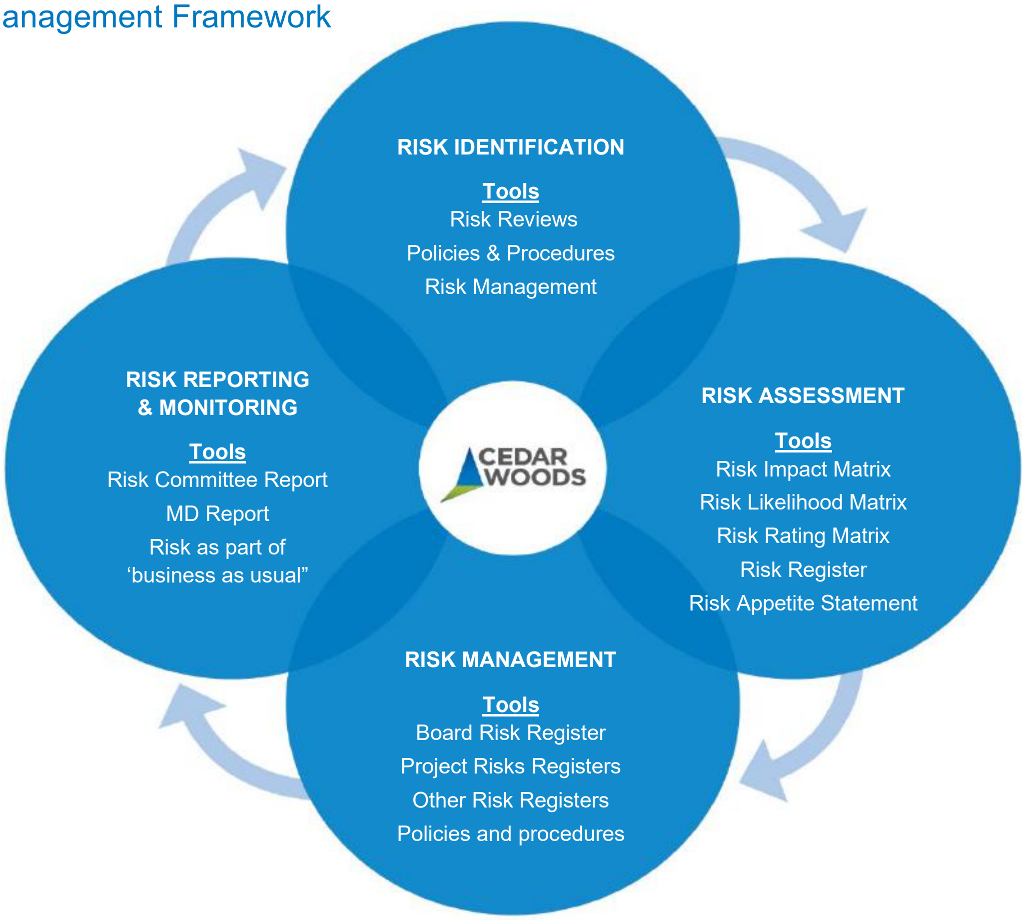
The Board has adopted a Risk Management Framework that governs the identification, management and monitoring of risks in the business. The framework incorporates a number of tools that are used in the business to identify, assess and manage risks and opportunities, assess how they are controlled and whether further actions are required.

During the year, updates from management are provided to the Committee, and ultimately the Board, covering all principal risks.

In addition, the Board requires that each major proposal submitted to the Board for a decision is accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

An overview of the Risk Management Framework is provided below.

Risk Management Framework



CORPORATE POLICIES

In support of the governance framework and the company's culture, and to promote sound business ethics the company has developed corporate policies, copies of which are available on our website.

- Code of Conduct
- Anti-bribery & Corruption
- Conflicts of Interests
- Continuous Disclosure
- Diversity
- Environmental Management & Climate Change
- Investor Communications
- Modern Slavery
- Performance Evaluation
- Privacy
- Risk Management
- Securities Trading
- Whistleblower
- Other internal policies

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 2020.

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 (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 35 to 37 of this report.

b. Principal activities

The principal continuing activities of the consolidated entity in the course of the year ended 30 June 2020 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:

	2020 $'000	2019 $'000
Final fully franked ordinary dividend for the year ended 30 June 2019 of 13.5 cents (2018 – 18.0 cents) per fully paid share, paid on 25 October 2019 (2018 – 26 October 2018)	10,653	13,892
Interim fully franked ordinary dividend for the year ended 30 June 2020 of 12.5 cents (2019 – 18.0 cents) per fully paid share, paid on 24 April 2020 (2019 – 26 April 2019)	10,056	14,421
	20,709	**28,313**

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of 6.5 cents (2019 - 13.5 cents per share) to be paid on 30 October 2020 out of retained profits at 30 June 2020.

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 FY2021 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

The consolidated entity was significantly impacted by the social and political response to the COVID-19 pandemic, resulting in a contraction in customer demand and disruptions to the company's second half sales and settlement program. As a consequence, the consolidated entity's revenue and profit was significantly reduced compared to the previous year. Further details can be found in the financial and operating review, commencing on page 13 of this annual financial report. There were no other significant changes in the state of affairs of the consolidated entity during the year.

g. Matters subsequent to the end of the financial year

Refer to item (c) of this Directors' Report for details of the dividend recommended by directors since the end of the financial year.

No other matters or circumstances have arisen since 30 June 2020 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 thirty 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

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-one years.

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

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

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

Mr Packer is an independent director, 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 fourteen years.

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

Ms Valerie A Davies, FAICD

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

Valerie Davies is a professional company director with broad experience across the spectrum of public and private companies, government boards and community organisations. ASX experience includes her current role on the Board of Event Hospitality and Entertainment Limited and she is a Commissioner of 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.

Aside from the boardroom Ms Davies' career spans more than 30 years across a range of industries including media, marketing and television production. A specialist provider of communications and strategic issues management services, she has worked at the highest level with numerous tier 1 national and international business organisations addressing the complexities of issues management, communications, coaching and mentoring.

Ms Davies is a member of Chief Executive Women (CEW), a former Telstra Business Woman of the Year (WA) and a past Vice-President of the Australian Institute of Company Directors (WA).

Ms Davies is a non-executive, independent Director and has served on the board for five 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
- Chair of the Audit and Risk Management Committee
- Member of the Remuneration and Nominations 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), the Telethon Kids Institute and Chair of Healthdirect Australia.

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 three 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 New Zealand 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	7,818,633
Ronald Packer	167,859
Valerie A Davies	15,785
Jane M Muirsmith	10,734
Nathan J Blackburne	72,901

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	Remuneration and Nominations Committee
J M Muirsmith (Chair)	V A Davies (Chair)
R Packer	R Packer
V A Davies	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 2020, and the numbers of meetings attended by each director:

	Board meetings	Meetings of Committees			
		Audit and Risk Management	Human Resources and Remuneration	Nominations	Remuneration and Nominations
Number of meetings held:	9	5	2	1	8
W G Hames	9	1*	2*	1*	8*
R S Brown	9	4**	2	1	8**
R Packer***	7	2	-	-	5
V A Davies	9	5	2	1	8
J M Muirsmith	9	5	2	1	8
N J Blackburne	9	5*	2*	1*	8*

** Not a member of this committee.*

***Member of committee for 3 meetings*

****On board approved leave of absence from 1 July 2019 to 5 December 2019*

The Human Resources and Remuneration and Nominations Committees were replaced by one committee, the Remuneration and Nominations Committee during the year. The above table shows the meetings of all committees.

Directors' Report: Letter to Shareholders from the Chair of the Remuneration & Nominations Committee

Dear Shareholders,

I am pleased to provide this letter setting out the highlights in relation to remuneration matters for FY2020. The Financial and Operating Review notes that Cedar Woods' result was significantly impacted by COVID-19, while there were other good achievements across the various areas within the company's operations, as described in our revised "balanced scorecard" in section r) of this report. The balanced scorecard sets out the company's FY2020 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 FY2020 the Committee reviewed 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 was assisted by external consultants and has resulted in some adjustments to both the Short-Term Incentive Plan and the Long-term Incentive Plan, which are detailed in this Remuneration Report.
Fixed remuneration	For FY2020 the Managing Director's (MD's) fixed remuneration was limited to 41% of his total package and was increased, based on market benchmarking information. 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 updated and simplified its balanced scorecard of measures for determining the STI awards for FY2020. Scorecard sections have been grouped into financial and non-financial categories, within the relevant strategic priority areas. Part of the Managing Director's STI was deferred into equity as detailed later in this report.
Long-term incentives ("LTIs")	The LTI plan continues to operate for the executives 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. 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. As noted in the 2019 remuneration report, for FY2020, the Board approved the recommendation of the Remuneration and Nominations 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 48 below.
Non-Executive Director ("NED") fees	The potential maximum aggregate NED remuneration for FY2020 was $750,000, as approved by shareholders at the FY2014 AGM. Chair and NED fees were increased by approximately 2% effective 1 July 2019 to provide an increase in line with CPI. Total NED fees paid for FY2020 were $638,000.

The Remuneration Report provides information on the remuneration outcomes for FY2020.

It was pleasing to note that shareholders voted overwhelmingly in favour of the FY2019 Remuneration Report at the 2019 Annual General Meeting, with 92.9 per cent of votes cast in favour.

I look forward to answering any questions you may have at our 2020 Annual General Meeting on 4 November.

Yours faithfully,

Valerie A Davies
Chair - Remuneration and Nominations Committee

Directors' Report - Remuneration Report

The directors present Cedar Woods' FY2020 Remuneration Report which sets out remuneration information for the directors and other key management personnel ("KMP") for the year ended 30 June 2020.

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

The Remuneration Report is presented under the following sections:

o. Introduction

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

The table below outlines the KMP of the company during the financial year ended 30 June 2020. 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

None.

Changes since the end of the reporting period

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

p. Remuneration governance

Role of the Remuneration and Nominations Committee

The Remuneration and Nominations Committee is a committee of the Board. In relation to remuneration matters, it is responsible for making recommendations to the Board on:

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

The 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 Committee periodically obtains independent remuneration information to ensure executive remuneration packages and NED fees are appropriate and in line with the market.

The Corporate Governance Statement provides further information on the role of the Remuneration and Nominations Committee and may be found on the company's website under the Our Company/Governance link.

Use of remuneration advisors

During the year the Remuneration and Nominations Committee reviewed 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 Remuneration and Nominations 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

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 (cash)	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.
STI (deferred)	at any time prior to, or at, the final vesting date of the award and will take account of factors such as any material misstatements of financial results or individual instances of non-compliance with Cedar Woods' policies.
LTI	at any time prior to, or at, the final vesting date of the award 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 FY2019 Annual General Meeting ("AGM")

At the company's 2019 AGM, 92.9 per cent of eligible votes cast were in favour of the Remuneration Report for FY2019.

q. Executive remuneration policy and framework

The information contained within this section outlines the details pertaining to the executive remuneration policy and framework for FY2020.

i. Principles and strategy

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

Remuneration strategy linkages to company purpose	
The Board ensures our approach to executive reward satisfies the following key criteria for good reward governance practices: • Competitiveness and reasonableness • Acceptability to shareholders • Alignment of executive remuneration to company performance • Transparency of the link between performance and reward	Attract, motivate and retain high performing individuals: • The remuneration offering rewards capability and experience • Reflects competitive reward for contribution to growth in shareholder wealth The framework is aligned to shareholders' interests by having: • STIs (cash & deferred) 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 are also subject to clawback.

	Component	Vehicle	Purpose	Link to performance
Total remuneration ("TR")	Fixed remuneration	Comprises base salary, superannuation and non-monetary benefits	To provide competitive fixed remuneration set with reference to role, market and skills and experience of individuals	Group and individual performance are considered during the annual remuneration review process No guaranteed fixed remuneration increases included in executives' contracts Fixed remuneration may be phased to market benchmark for new appointments, conditional on performance
	STIs	Paid in cash Equity based STI grants awarded in Zero-price options	Rewards executives for their contribution to achievement of company outcomes Rewards executives for their contribution to the creation of shareholder value over the medium term	Linked to the Corporate Plan and achievement of personal objectives established at the start of the year Vesting of Zero-price options is dependent on a further one year of service after the initial performance period
	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 Remuneration and Nominations Committee). The Remuneration and Nominations Committee also considers issues of succession planning, career development and staff retention.

ii. Approach to setting remuneration

In FY2020, 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 company and aligned with market practice.

The approach is generally to position total remuneration between the median and upper quartile of its 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.

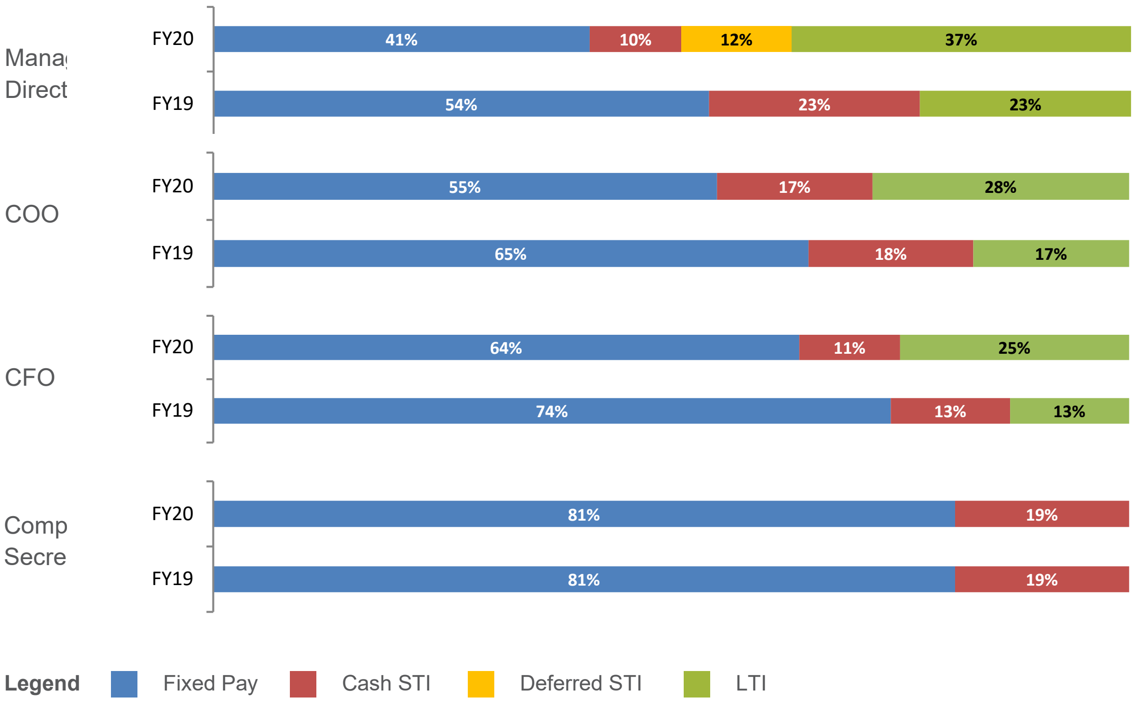
Remuneration levels are reviewed annually through a process that considers market data, insights into remuneration trends, the performance of the company and the individual, and the broader economic environment.

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 in FY2020 introduced a deferred STI component to the MD’s remuneration mix in addition to the equity based LTI plan.

The Remuneration and Nominations Committee will continue to review the level of fixed and ‘at risk’ pay in FY2021 with the objective of ensuring that executive remuneration continues to meet the expectations of shareholders and candidates in a market that is highly competitive for talent. In light of COVID-19, the Committee has frozen KMP fixed remuneration and target STI and LTI opportunities at FY2020 levels.

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 FY2020 compared to FY2019 and demonstrate the progress made this year in increasing the proportion of ‘at risk’ pay.



STI and LTI in the above graphs are based on 100% of the target opportunity when remuneration levels are determined by the Remuneration and Nominations Committee. STI's awarded may exceed the target opportunity (refer to 'STI Plan effective for FY2020' below). LTI's may be awarded up to the target opportunity.

iii. Details of incentive plans

Short-term incentives (STI)

Key features of the current STI plan are set out below.

Managing Director

How is the STI delivered?	45% of the STI is delivered in cash and 55% of the STI is deferred by way of a grant of zero-price options under the Deferred Short Term Incentive (DSTI) Plan.
What STI's are available and what are the performance conditions for FY2020?	The STI awarded is based on the Remuneration and Nominations Committee's assessment of the company's overall performance using the Balanced Scorecard system referred to in section r) Executive remuneration outcomes for FY2020 below. Subject to board discretion, in order for any STI to be payable, the following hurdles (triggers) must be achieved: • NPAT trigger: NPAT to equal or exceed 90% of the budget • Safety trigger: No reportable incident resulting in serious injury under the relevant Occupational Health & Safety Act in CWP premises or sites as a result of failure of the company's Work, Health & Safety system. A performance rating of up to 150% of the STI opportunity is available to reward personal performance when it exceeds expectations, at the Board's discretion. Based on the Board's determination of overall performance and exercising its discretion, the MD received 40% of his STI opportunity in FY2020. For details refer to r) Executive remuneration outcomes for FY2020 below.
How is performance assessed?	On an annual basis, after consideration of performance against set balanced scorecard objectives, the Chairman and Chair of the Remuneration and Nominations Committee recommends to the Board the amount of STI to be paid to the MD.
What happens in the event of change of control	If a Change of Control Event occurs prior to the vesting of an award, unless the Board determines otherwise, a pro-rata number of the MD's unvested awards will vest immediately based on the proportion of the period that has passed at the time of the relevant change of control event, and the extent to which any applicable performance conditions have been satisfied (or are estimated to have been satisfied) at that time, unless the change of control event occurs after the end of the performance period (the first year), in which case full vesting of unvested awards will occur, to the extent to which any applicable performance conditions have been satisfied (or are estimated to have been satisfied) at that time.

Other executives

How is the STI delivered?	Cash
What STI's are available and what are the performance conditions for FY2020?	Each executive has a target STI opportunity depending on the accountabilities of the role and impact on organisational performance. The STI plan provides as follows: 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.

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%

	Performance ratings of up to 150% of the personal component are available to encourage and reward personal performance when it exceeds expectations. b) Up to 25% of the cash incentive awarded based on the Remuneration and Nominations Committee's assessment of the company's overall performance using the Balanced Scorecard system referred to in section r) Executive remuneration outcomes for FY2020 below. In order for any STI to be payable under the company component, the following hurdles (triggers) must be achieved: • NPAT trigger: NPAT to equal or exceed 90% of the budget • Safety trigger: No reportable incident resulting in serious injury under the relevant Occupational Health & Safety Act in CWP premises or sites as a result of failure of the company's Work, Health & Safety system. Based on the Company's and individuals' performance in FY20, no executive received more than 40% of their STI opportunity in FY2020. The greater focus of the STI on personal performance was deemed appropriate to attract and retain executives. However, in line with the general market, for FY2021 onwards, other executives STI will be based 50% on company performance and 50% on personal performance.
How is performance assessed?	On an annual basis, for senior executives, the Remuneration and Nominations Committee will seek recommendations from the MD before making its determination.
What happens if an Executive leaves Cedar Woods?	Executives who resign prior to the end of the financial year generally forego their STI entitlement. The Remuneration and Nominations Committee has discretion in this regard.
Do clawback provisions apply to STI's?	The company has an incentive claw back policy in place. Under the policy, the Board may at its absolute discretion claw back vested and unvested incentives in the case of an "inappropriate benefit" arising.

Long-term incentives (LTI)

LTI plan effective up to 30 June 2019

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?	MD and other Executives. NEDs are not eligible to participate in the LTI plan.
What LTI's are available?	Each participant has a maximum LTI opportunity depending on the accountabilities of the role and impact on company performance.
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 participant 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 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, 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: • 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. 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).

Participants will only derive value from this component of the LTI if the company's TSR performance is equal to or greater than the Index. Maximum vesting of the TSR hurdle at or above 15% of the Index recognises significant out-performance of the company over 3 years.

The vesting schedule is as follows:

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

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

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

Where:

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

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

- The earnings and EPS targets contained in the 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 Remuneration and Nominations Committee reviewed the remuneration framework with advice from external consultants and changes to the LTI Plan were made for FY2020, as noted in the FY2019 remuneration report.

How is performance assessed and rewarded against the hurdles under the changes?	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. Relative TSR hurdle (50%): The relative TSR hurdle described in the previous section is unchanged for FY2020. EPS compound annual growth rate (50%): From 1 July 2019 the target range in the EPS vesting schedule will be set at the commencement of the three year performance period. The relevant inputs when setting the EPS target range will be: • 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. At commencement of the plan, the Remuneration and Nominations Committee will consider the appropriate EPS target range and the level of payout if targets are met. This may include setting any maximum payout under the LTI plan and minimum levels of performance to trigger payment of LTI. The EPS target range, once set, remains in place for the three-year performance period. The FY2020 plan vesting schedule is below:

EPS compound annual growth rate	Percentage of EPS-tested rights vesting
<3%	Nil
3%	50%
Between 3% - 5%	Pro-rata between 50% and 100%
> = 5%	100%

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 q) 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 executives and aligns to current shareholder return expectations.

r. Executive remuneration outcomes for FY2020 (including link to performance)

Performance against STI balanced scorecard objectives

The table below provides a summary of the FY2020 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.

Strategic Priority & Measure	Total	Metric	Outcome	Performance assessment
Financial Strength Annual performance and balance sheet strength	50%	Net Profit After Tax (NPAT)	NPAT of $20.9m did not meet the Company's budget in FY2020	Not achieved
		Settlements	Total settlements did not meet budget.	Not achieved
		Revenue	Reported revenue was below budget	Not achieved
		Return on Equity	Return on equity was 6%, below budget and below company benchmark of 10%	Not achieved
		Return on Capital	Return on capital was 6%, below budget and below company benchmark of 12%	Not achieved
		Borrowings – debt/equity	Borrowings maintained within target debt/equity range of 20 – 75%	Achieved
		Borrowings - terms	Finance facilities extended and maintained within covenants	Achieved
		Cost reduction program	Identified cost savings of over 1% achieved against budgeted total costs	Achieved
Earnings Growth Measures of future financial health of the Company	20%	Presales	Presales of $360m at 30 June exceed prior year level of $330m	Achieved
		New projects	The company successfully acquired 4 new projects assisting the replenishment of the project pipeline.	Achieved
		Project cost overruns	Project development costs overruns were kept to within 1% of total development costs	Achieved
Operational Excellence Measures of customer and investor satisfaction and risk management	20%	Strong customer net promoter score	Based on surveys the Company exceeded its customer net promoter score targets	Achieved
		Investor perception	Based on post roadshow surveys and feedback the Company is perceived well in the investor community	Achieved
		Product quality	The company measures the quality in the supply chain according to an in house rating system and met internal benchmarks	Achieved

Strategic Priority & Measure	Total	Metric	Outcome	Performance assessment
		Risk management program	Risks managed under the company's risk management framework with some risks elevated as a result of COVID-19	Partially achieved
		Compliance with the work, health and safety system	WHS risks monitored and there was no reportable incident resulting in serious injury as a result of any failure of the Company's WHS system	Achieved
High Performance Culture Manage leadership pool and strive for strong staff engagement and team improvements	10%	Employee engagement	Based on staff survey, 85% of staff are highly engaged in their roles	Achieved
		Retention of executives and senior management	Achieved an annual retention rate of 86%	Partly achieved
		Gender and diversity target	Gender diversity meets target overall however the Company is seeking to improve gender diversity in senior positions	Partly achieved

The following table outlines the proportion of maximum STI earned and forfeited by executives in relation to FY2020 and the maximum STI that was available.

Proportion of maximum STI earned and forfeited in FY2020

	MD	COO	CFO	Company Secretary
Total earned of target%	40%	40%	40%	40%
Total earned of target $	$168,250	$52,000	$22,000	$16,000
Total forfeited of target%	60%	60%	60%	60%
Total forfeited of target $	$252,780	$78,000	$33,000	$24,000
Target STI opportunity	$421,300	$130,000	$55,000	$40,000
Maximum STI opportunity	**$631,950**	**$178,750**	**$75,625**	**$55,000**

For the Managing Director, 45% of the STI earned is payable in cash ($75,834) and 55% of the STI earned ($92,686) was deferred into zero price options under the DSTI plan. For the other executives the STI is payable in cash.

Board discretion applied to the FY2020 STIs

While the company failed to meet its FY2020 settlements and revenue targets, and as a consequence did not achieve the net profit hurdle in the balanced scorecard, the Board exercised discretion provided for under the STI plan to award modest short term incentives to the executive team, taking into account the following:

- In FY20 the company significantly outperformed both the market and peer group as measured by Total Shareholder Return. The Company's TSR of -2.4% outperformed the All Ordinaries (-7.2%), Small Ordinaries (-5.7%), Small Industrials (-7.4%), S&P ASX 300 (-10.8%) and the S&P ASX 300 industrials (-10.8%).
- Prior to the onset of COVID-19 the company was on track to achieve its budget.
- Significant settlements targeted for June 2020 were delayed because of mandatory social distancing measures at construction sites. The settlements were largely achieved in July 2020, representing a deferral rather than a loss of income.
- Strong personal performance of the executives during the year, and in managing and limiting the impact of COVID-19 on the company.

- The good performance of the company on the majority of metrics generally, as shown by the balanced scorecard.
- The company remains in a strong financial position with significant headroom under its finance facilities and significant presales at 30 June 2020 ($360m) compared to the same time last year ($330m).
- The STIs awarded are significantly lower than the target opportunities (27% of maximum), and the STIs awarded in the previous year.
- The need to retain executives in a market and industry (property) where quality talent with sufficient and relevant experience is in short supply nationally.

Terms and conditions of the share-based payment arrangements

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

Incentive Plan	Grant date	Performance period	Service period	Vesting date	Value at start of performance period	Performance hurdle	Value per option at grant date	% Vested
FY2020 – Managing Director	TBA	1/7/19 to 30/6/20	1/7/19 to 30/6/21	30/8/21	TBA	Balanced scorecard score	$TBA	N/A

The first grant of options to the Managing Director under the DSTI is subject to shareholder approval at the 2020 AGM.

Performance against LTI objectives

The equity based LTI plan for the MD and executives 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 FY2020.

	LTI awards in FY2020		
	MD	COO	CFO
Value granted (max LTI opportunity)	**$689,400**	**$212,100**	**$120,000**

The LTI awards earned vest on 31 August 2022 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
FY2017 – Award 1 (Executives)	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	50%
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	50%
FY2018 – Award 1 (Executives)	25/08/2017	1/7/17 to 30/6/20	31/08/2020	$5.16	EPS Growth Relative TSR	$4.62 $2.68	No Partial	30%
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	No Partial	30%
FY2019 – Award 1 (Executives)	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
FY2020 – Award 1 (Executives)	24/09/2019	1/7/19 to 30/6/22	31/08/2022	$5.71	EPS Growth Relative TSR	$6.17 $4.45	to be determined	n/a
FY2020 - Award 2 (MD)	6/11/2019	1/7/19 to 30/6/22	31/08/2022	$5.71	EPS Growth Relative TSR	$6.18 $4.51	to be determined	n/a

The number of share rights granted to key management personnel under the LTI scheme during FY2020 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 FY2020 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 FY2020 ($5.71). 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 FY2018 LTI plan will be issued in FY2021.

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								
6 Nov 2019**	-	120,735	-	-	-	-	120,735	$272,257
13 Nov 2018**	46,875	-	-	-	-	-	46,875	$60,703
22 Aug 2017**	36,434	-	-	-	-	-	36,434	$51,190
25 Aug 2016	29,885	-	14,942	50	14,943	50	-	-
Senior executives								
P Archer								
24 Sep 2019	-	37,145	-	-	-	-	37,145	$82,648
14 Sep 2018	17,270	-	-	-	-	-	17,270	$25,991
22 Aug 2017	16,473	-	-	-	-	-	16,473	$22,074
25 Aug 2016	18,391	-	9,195	50	9,196	50	-	-
L M Hanrahan								
24 Sep 2019	-	21,015	-	-	-	-	21,015	$46,758
14 Sep 2018	8,224	-	-	-	-	-	8,224	$12,377
22 Aug 2017	3,488	-	-	-	-	-	3,488	$4,674
25 Aug 2016	2,759	-	1,379	50	1,380	50	-	-
P S Freedman								
22 Aug 2017	7,752	-	-	-	-	-	7,752	$10,388
25 Aug 2016	9,195	-	4,597	50	4,598	50	-	-

* The LTI awards granted in FY2020 vest on 31 August 2022 subject to the two vesting conditions. The maximum value of the deferred shares yet to vest has been determined based on the grant date fair value of the rights, adjusted to the anticipated vesting outcomes.

** Approval for the issue of share rights to NJ Blackburne was obtained from shareholders under Australian Securities Exchange Listing Rule 10.14.

Performance of shareholder return metrics

In FY2020, the company delivered a profit of $20.9 million, a decrease of 57.0 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	(57.3)	(23.3)	(13.7)
Share price growth	(8.1)	0.2	(0.1)
Dividend growth (paid dividend)	(39.7)	(12.6)	(7.1)
CWP TSR (change in share price and dividends)	(2.4)	6.2	5.9
S&P Small Industrials Index (XSIAI) TSR	(10.2)	5.2	4.7

The total shareholder return in FY2020 was -2.4 per cent which outperformed the S&P Small Industrials Index total return of -7.6 per cent over the same period. The returns over 1, 3 & 5 years compare favourably to the returns of the S&P Small Industrials Index. Returns over 1, 3 & 5 years also 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.

	2020	2019	2018	2017	2016
Profit for the year ($'000)	20,899	48,644	42,603	45,445	43,602
Basic earnings per share (cents)	26.0	60.9	53.9	57.6	55.3
Dividends per share (cents)	19.0	31.5	30.0	30.0	28.5
Increase (decrease) in share price (%)	(8.1)	(1.0)	10.6	19.8	(17.3)

Executive remuneration for the years ended 30 June 2020 and 30 June 2019

When determining the remuneration mix for executives, the Remuneration and Nominations committee used the target STI and LTI opportunities contained in the tables on pages 50 and 51, 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 KMP of Cedar Woods, in accordance with accounting standards, 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 $	Total $	%
Executive Director									
N J Blackburne	**2020**	**737,407**	**75,834**	**6,225**	**23,699**	**91,922**	**37,665**	**972,752**	**17%**
	2019	652,327	256,500	6,056	23,699	15,540	42,887	997,008	27%
Other KMP									
P Archer	**2020**	**403,997**	**52,000**	**5,223**	**21,003**	**34,110**	**10,114**	**526,447**	**16%**
	2019	389,469	104,363	5,727	20,531	4,237	-8,261	516,066	21%
L M Hanrahan	**2020**	**285,000**	**22,000**	**6,981**	**25,000**	**15,915**	**9,168**	**364,064**	**10%**
	2019	263,886	46,875	7,785	20,531	4,932	5,165	349,174	15%
P S Freedman	**2020**	**186,839**	**16,000**	**550**	**24,980**	**4,158**	**5,025**	**237,552**	**8%**
	2019	251,480	44,250	541	24,999	-4,588	-35,219	281,463	14%
Total	**2020**	**1,613,243**	**165,834**	**18,979**	**94,682**	**146,105**	**61,972**	**2,100,815**	
	2019	1,557,161	451,988	20,108	89,760	20,121	4,573	2,143,711	

Equity-settled share-based payments relate to the component of the fair value of awards from the 2018, 2019 and 2020 LTI schemes attributable to the year measured in accordance with AASB 2 *Share Based Payments*. Cash salary and fees include annual leave accrual.

The following table sets out the actual value of remuneration received by each executive KMP of Cedar Woods (take home remuneration):

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 vested# $	Long Service Leave $	Total $	%
Executive Director									
N J Blackburne	**2020**	**737,407**	**75,834**	**6,225**	**23,699**	**97,571**	**37,665**	**978,401**	**25%**
	2019	652,327	256,500	6,056	23,699	-	42,887	981,469	27%
Other KMP									
P Archer	**2020**	**403,997**	**52,000**	**5,223**	**21,003**	**60,043**	**10,114**	**552,380**	**20%**
	2019	389,469	104,363	5,727	20,531	-	-8,261	511,829	21%
L M Hanrahan	**2020**	**285,000**	**22,000**	**6,981**	**25,000**	**9,005**	**9,168**	**357,154**	**9%**
	2019	263,886	46,875	7,785	20,531	-	5,165	344,242	15%
P S Freedman	**2020**	**186,839**	**16,000**	**550**	**24,980**	**30,018**	**5,025**	**263,412**	**17%**
	2019	251,480	44,250	541	24,999	-	-35,219	286,051	14%
Total	**2020**	**1,613,243**	**165,834**	**18,979**	**94,682**	**196,637**	**61,972**	**2,151,347**	
	2019	1,557,161	451,988	20,108	89,760	**-**	4,573	2,123,590	

LTI vested is based on the market value of securities at the date of vesting. In FY2020, shares vested under the FY17-19 LTI plan.

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 FY2020 was as follows:

- Fixed remuneration of $766,000 per annum
- Target STI opportunity of $421,300, Maximum STI opportunity of $631,950 (45% in cash, 55% in DSTI)
- Target & Maximum LTI opportunity $689,400.

The target STI and LTI opportunity represent 22% and 37% respectively of the total target remuneration. The maximum STI opportunity represents 30% 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 Remuneration and Nominations 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 q) 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 Remuneration and Nominations 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 FY2020 was $638,000. The Board will not seek any increase for the NED maximum aggregate fee pool at the 2020 AGM.

Fee policy

NEDs' annual fees were last reviewed from FY2020 (effective date: 1 July 2019). The annual fees (inclusive of superannuation) for FY2020 and FY2019 are set out in the table below:

	2020 $	2019 $
Chair	174,000	164,000
Deputy Chair	137,000	126,500
Other NEDs	94,000	88,700
Committee Chair	15,000	13,200
Committee member	Nil	Nil

NED remuneration for the years ended 30 June 2020 and 30 June 2019

The table below outlines fees paid to NEDs for FY2020 and FY2019 in accordance with statutory rules and applicable accounting standards.

		Short-term benefits	Post-employment	
Name	**Financial year**	**Board and committee fees $**	**Superannuation $**	**Total $**
W G Hames	**2020**	**158,904**	**15,096**	**174,000**
	2019	149,772	14,228	164,000
R S Brown	**2020**	**138,813**	**13,187**	**152,000**
	2019	115,525	10,975	126,500
R Packer	**2020**	**70,302**	**23,698**	**94,000**
	2019	104,601	23,699	128,300
V A Davies	**2020**	**99,543**	**9,457**	**109,000**
	2019	81,005	7,695	88,700
J M Muirsmith	**2020**	**99,543**	**9,457**	**109,000**
	2019	81,005	7,695	88,700
Total	**2020**	**567,105**	**70,895**	**638,000**
	2019	**531,908**	**64,292**	**596,200**

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.

2020	**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 *	10,343,550	5,148	10,348,698
R S Brown	7,985,584	(163,951)	7,821,633
R Packer	167,859	-	167,859
V A Davies	15,785	-	15,785
J M Muirsmith	10,523	211	10,734
Executive director			
N J Blackburne	47,335	25,566	72,901
Senior executives			
P Archer	20,301	9,787	30,088
L M Hanrahan	11,398	1,379	12,777
P S Freedman	108,583	(35,721)	72,862

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

* Includes 2,014,439 (2019 – 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 l) of the directors' report which comply with the requirements of sections 608 and 609 of the *Corporations Act 2001*. The table above includes the shares held by related parties of the KMP.

Other transactions with key management personnel

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

	2020 $	2019 $
Amounts recognised as expense		
Architectural fees	6,000	-
Creative design services	-	30,908
Settlement fees	196,658	189,616
Sponsorships	-	3,182
	202,658	**223,706**
Amounts recognised as inventory/ investment property		
Architectural fees	127,755	221,993
	127,755	**221,993**
Total amounts recognised in year	**330,413**	**445,699**
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	123,155	219,718
Investment property	4,600	2,275
	127,755	**221,993**

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.

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 FY2020 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.

In 2019 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.

In 2019 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.

There are no aggregate amounts payable to directors of Cedar Woods at balance date. An amount of $4,560 was payable to related entities (Hames Sharley) at balance date. There are no other amounts payable to related entities at balance date relating to the above types of other transactions.

v. Independent audit of remuneration report

The remuneration report has been audited by PricewaterhouseCoopers (PwC). See page 128 of this annual financial report for PwC's report on the remuneration report.

w. Retirement, election and continuation in office of directors

Mr R Packer and Mrs J M Muirsmith retire by rotation at the forthcoming Annual General Meeting. Mrs J M Muirsmith, being eligible, will offer herself 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 39 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 62.

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

N J Blackburne
Managing Director
26 August 2020

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 2020, 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

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
26 August 2020

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Financial Statements

These financial statements are consolidated financial statements for the group consisting of Cedar Woods Properties Limited and its subsidiaries. A list of major subsidiaries is included in note 31.
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 26 August 2020. 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 2020

	Note	2020 $'000	2019 $'000
Continuing operations			
Revenue	1	260,660	375,149
Cost of sale of land and buildings		(184,083)	(254,142)
Cost of providing development services		(1,628)	(6,433)
Gross profit		**74,949**	**114,574**
Project operating costs		(23,067)	(24,027)
Administration expenses		(20,312)	(20,561)
Other expenses		(455)	(364)
Other income		1,520	2,370
Operating profit		**32,635**	**71,992**
Finance costs	2	(2,245)	(3,072)
Share of net (loss) profit of joint ventures accounted for using the equity method	32(iii)	(174)	22
Profit before income tax		**30,216**	**68,942**
Income tax expense	3	(9,317)	(20,298)
Profit for the year	24	**20,899**	**48,644**
Total comprehensive income for the year		**20,899**	**48,644**
Total comprehensive income attributable to members of Cedar Woods Properties Limited		**20,899**	**48,644**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	4	26.0 cents	60.9 cents
Diluted earnings per share	4	25.8 cents	60.6 cents

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

Consolidated Balance Sheet
As at 30 June 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	2,691	13,442
Trade and other receivables	6	8,478	7,759
Contract assets	1	3,329	2,144
Inventories	7	157,836	144,778
Deferred development costs	8	3,523	2,921
Current tax asset		787	-
Total current assets		**176,644**	**171,044**
Non-current assets			
Receivables	6	2,123	2
Inventories	7	401,314	337,065
Deferred development costs	8	11,010	8,317
Investments accounted for using the equity method	9	1,576	2,725
Property, plant and equipment	10	7,151	7,264
Intangible assets	11	3,241	2,428
Right-of-use assets	12	1,906	-
Investment properties	13	40,701	41,642
Lease incentives	14	1,076	1,224
Total non-current assets		**470,098**	**400,667**
Total assets		**646,742**	**571,711**
LIABILITIES			
Current liabilities			
Trade and other payables	15	26,022	30,881
Derivative financial instruments	17	-	230
Other financial liabilities	18	32,075	9,338
Current tax liabilities		-	3,822
Contract liabilities	1(ii)	3,894	5,813
Lease liabilities	19	815	-
Provisions	20	1,310	4,094
Total current liabilities		**64,116**	**54,178**
Non-current liabilities			
Borrowings	16	145,362	118,756
Derivative financial instruments	17	144	31
Other financial liabilities	18	49,592	16,849
Lease liabilities	19	1,436	-
Provisions	20	210	125
Deferred tax liabilities	21	7,197	5,242
Total non-current liabilities		**203,941**	**141,003**
Total liabilities		**268,057**	**195,181**
Net assets		**378,685**	**376,530**

Consolidated Balance Sheet (continued)
As at 30 June 2020

	Note	2020 $'000	2019 $'000
EQUITY			
Contributed equity	22	127,781	125,979
Reserves	23	568	427
Retained profits	24	250,336	250,124
Total equity		**378,685**	**376,530**

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 2020

	Note	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000
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	22	2,961	-	-	2,961
Transfers from reserves to retained profits		-	-	-	-
Dividends provided for or paid	30	-	-	(28,313)	(28,313)
Employee share scheme	23	-	(15)	67	52
		2,961	(15)	(28,246)	(25,300)
Balance at 30 June 2019		**125,979**	**427**	**250,124**	**376,530**
Change in accounting policy	42	-	-	2	2
Restated total equity at 1 July 2019		**125,979**	**427**	**250,126**	**376,532**
Profit for the year		-	-	20,899	20,899
Total comprehensive income for the year		**-**	**-**	**20,899**	**20,899**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	22	1,632	-	-	1,632
Transfers from reserves to retained profits		-	(11)	11	-
Dividends provided for or paid	30	-	-	(20,709)	(20,709)
Employee share scheme	23	170	152	9	331
		1,802	141	(20,689)	(18,746)
Balance at 30 June 2020		**127,781**	**568**	**250,336**	**378,685**

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 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (incl. GST)		280,459	403,651
Other income		830	-
Payments to suppliers and employees (incl. GST)		(70,439)	(84,556)
Payments for land and development		(208,952)	(245,814)
Interest received		389	737
Borrowing costs paid		(5,865)	(8,601)
Income taxes paid		(11,913)	(32,329)
Net cash (outflows) inflows from operating activities	26	(15,491)	33,089
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		10	-
Proceeds from capital return from joint venture		975	325
Payments for investment properties		(361)	(309)
Payments for property, plant and equipment		(911)	(1,944)
Payments for intangible assets		(1,587)	(1,832)
Net cash outflows from investing activities		(1,874)	(3,760)
Cash flows from financing activities			
Proceeds from (repayment of) borrowings		26,345	(14,246)
Principal elements of lease payments		(660)	-
Dividends paid	30	(19,071)	(25,335)
Net cash inflows (outflows) from financing activities		6,614	(39,581)
Net decrease in cash and cash equivalents		(10,751)	(10,250)
Cash and cash equivalents at the beginning of the year		13,442	23,692
Cash and cash equivalents at the end of the year	5	**2,691**	**13,442**

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 31.

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.

Profit or Loss Information

1. Revenue

(i) Disaggregation of revenue from contracts with customers

	2020 $'000	2019 $'000
Timing of revenue recognition		
At a point in time		
Sale of land and buildings	252,153	361,571
Development services	2,583	7,351
Over time		
Rent from properties	5,925	6,227

(ii) Assets and liabilities related to contracts with customers

	2020 $'000	2019 $'000
Current contract assets		
Commissions relating to property sales	3,329	2,144
Total contract assets	**3,329**	**2,144**
Costs to fulfil a contract that were included in the contract asset balance at the beginning of the period		
Commissions relating to property sales	1,503	2,030

Sales commissions incurred to fulfill a property sale contract are classified as contract assets in the balance sheet when incurred and are expensed when associated revenue is recognised.

	2020 $'000	2019 $'000
Current contract liabilities		
Customer rebates	3,894	5,813
Total contract liabilities	**3,894**	**5,813**
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Customer rebates	4,424	4,483

(iii) Transaction price allocated to remaining performance obligations

The transaction price allocated to partially unsatisfied performance obligations at 30 June 2020 is set out below:

	2020 $'000	2019 $'000
Within one year	256,559	229,615
More than one year	113,504	109,206
Total	370,063	338,821

2. Expense items

Profit before income tax expense includes the following specific expenses:

	Note	2020 $'000	2019 $'000
Finance costs			
Interest and finance charges		6,028	8,511
Interest - leases		91	-
Interest – other financial liabilities		2,578	579
Unrealised financial instrument (gains) losses		(116)	76
Less: amount capitalised	(i)	(6,336)	(6,094)
Finance costs expensed		**2,245**	**3,072**

(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 2.0% (2019 – 2.8%) per annum. Where qualifying assets are financed by specific facilities, the applicable borrowing costs of those facilities are capitalised.

	Note	2020 $'000	2019 $'000
Net loss on disposal of property, plant and equipment		186	280
Loss allowance of trade receivables	6	19	(302)
Employee benefits expense		12,380	12,007
Superannuation		1,110	1,093
Depreciation of property, plant and equipment	10	898	875
Depreciation of investment properties	13	990	1,029
Depreciation of right-of-use assets	12	823	-
Amortisation of intangible assets	11	715	371
Other lease expenses			
Expense relating to short-term leases	(ii)	23	-
Expense relating to leases of low value assets that are not shown above as short-term leases	(ii)	6	-

(ii) Lease costs included in profit before income tax

Depreciation of right-of-use assets is presented within Administration expenses and Project operating costs on the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Expenses relating to short-term leases and low value assets are presented within Project operating costs on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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	2020 $'000	2019 $'000
Current tax		7,303	19,699
Deferred tax		2,014	671
Adjustments for current tax of prior periods		-	(72)
Income tax expense attributable to profit		**9,317**	**20,298**
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease in deferred tax assets	21	982	1,130
Increase (decrease) in deferred tax liabilities	21	1,032	(459)
		2,014	671

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

	2020 $'000	2019 $'000
Profit before income tax	30,216	68,942
Tax at the Australian tax rate of 30% (2019 – 30%)	9,065	20,683
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Subsidiary company loss (profit)	9	(477)
- Interest revenue	37	149
- Employee share scheme	97	(4)
- Share of net loss (profit) of joint venture	52	(7)
- Permanent differences arising from capital gains	40	-
- Sundry items	17	21
	252	(318)
Adjustments for current tax of prior periods:		
- Research and development	-	(67)
	-	(67)
Income tax expense	9,317	20,298

4. Earnings per share

	2020	2019
Basic earnings per share (cents)	26.0	60.9
Diluted earnings per share (cents)	25.8	60.6
Net profit attributable to the ordinary owners of the company ($'000)	20,899	48,644
Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share	80,352,925	79,925,054
Weighted average number of ordinary shares used as the denominator in the calculation of diluted earnings per share	80,873,241	80,332,583

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

	2020 $'000	2019 $'000
Cash at bank and in hand	2,691	13,442
	2,691	**13,442**

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 1.55% (2019 - 0 to 1.8%) per annum depending on the balances.

The Group's exposure to interest rate risk is discussed in note 28 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	2020 $'000	2019 $'000
Current			
Trade receivables	(ii)	6,418	4,786
Less: Loss allowance	(i), (ii)	(149)	(130)
Other receivables	(ii)	796	1,310
Prepayments		1,413	1,793
		8,478	**7,759**
Non-Current			
Other receivables	(iii)	2,120	-
Loans – employee share scheme (discontinued)	40	3	2
		2,123	**2**

(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 41(h).

(iii) Other non-current receivables

Other non-current receivables comprise refundable deposits paid on conditional contracts.

7. Inventories

	Notes	2020 $'000	2019 $'000
Total Inventory			
Current inventory	(i), (ii)	157,836	144,778
Non-current inventory	(i), (ii)	401,314	337,065
Aggregate carrying amount		**559,150**	**481,843**

	2020 $'000	2019 $'000
Current		
Property held for resale		
- at cost	31,716	32,666
- at valuation 30 June 1992	56	29
- capitalised development costs	126,064	112,083
	157,836	**144,778**

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

	2020 $'000	2019 $'000
Non-Current		
Property held for resale		
- at cost	275,541	229,175
- at valuation 30 June 1992	19	62
- capitalised development costs	120,462	102,577
- at net realisable value	5,292	5,251
	401,314	**337,065**

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 16 for information on current assets pledged as security by the parent entity or its controlled entities.

(ii) Accounting for inventory

Refer to note 41(i) for the recognition and classification of inventory.

8. Deferred development costs

	2020 $'000	2019 $'000
Current		
Deferred development costs	3,523	2,921
	3,523	**2,921**
Non-Current		
Deferred development costs	11,010	8,317
	11,010	**8,317**

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

	Notes	2020 $'000	2019 $'000
Unlisted securities			
Shares in joint ventures	(i)	1,576	2,725
		1,576	**2,725**

(i) Cedar Woods Wellard Limited

The consolidated entity owns a 32.5% (2019: 32.5%) interest in Cedar Woods Wellard Limited, a property development company incorporated in Australia. Refer to note 32.

10. Property, plant and equipment

	2020 $'000	2019 $'000
Plant and Equipment at Cost		
At start of the year	9,410	8,732
Additions	981	1,960
Disposals	(366)	(1,282)
At end of the year	10,025	9,410
Accumulated depreciation on Plant and Equipment		
At start of the year	2,146	2,055
Disposals	(170)	(784)
Charge for the year	898	875
At end of the year	2,874	2,146
Net book value	**7,151**	**7,264**

(i) Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the parent entity or its controlled entities.

11. Intangible assets

	2020 $'000	2019 $'000
IT Development and Software at Cost		
At start of the year	3,478	1,690
Additions	1,587	1,832
Disposals	(102)	(44)
At end of the year	4,963	3,478
Accumulated amortisation on IT Development and Software		
At start of the year	1,050	679
Disposals	(43)	-
Charge for the year	715	371
At end of the year	1,722	1,050
Net book value	**3,241**	**2,428**

12. Right-of-use assets

		2020 $'000	2019 $'000
Buildings			
At start of the year		-	-
Recognised on 1 July 2019		2,405	-
Effect of exercising extension options		209	
Additions		36	-
Depreciation	(i)	(784)	-
At end of the year	(ii)	1,866	-
Equipment			
At start of the year		-	-
Recognised on 1 July 2019		79	
Depreciation	(i)	(39)	-
At end of the year	(ii)	40	-
		1,906	**-**

(i) Depreciation expense on leases is included in Administration expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(ii) In 2019 the group did not have any leases classified as finance leases under AASB 117 *Leases*. Right-of-use assets were recognised on 1 July 2019 upon adoption of AASB 16 *Leases*.

13. Investment properties

	Note	2020 $'000	2019 $'000
Non-current assets – at cost			
Opening balance at the start of the year		41,642	42,561
Capitalised expenditure		66	127
Depreciation		(990)	(1,029)
Impairment of capitalised lease costs		(17)	(17)
Closing balance at the end of the year		40,701	41,642
Represented by:			
Completed investment property	(i),(ii),(iii),(iv)	40,701	41,642
Closing balance at the end of the year		**40,701**	**41,642**

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

	2020 $'000	2019 $'000
Rental income	5,277	5,417
Direct operating expenses from property that generated rental income	(3,224)	(3,870)
Impairment of lease incentives and capitalised lease costs	(54)	(98)
Bad debts recovered	8	-

(ii) Fair value of investment property

The fair value of the Williams Landing Shopping Centre which makes up completed investment property at 30 June 2020 is $68.5m, based on a management valuation (2019 - $72.0m). The investment property includes land surrounding the shopping centre for future development which is on the same title. The management valuation applies a market capitalisation rate to the net rent for the shopping centre and a market rate per square metre to the area of the future development land.

(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:

	2020 $'000	2019 $'000
Within one year	4,476	4,387
Later than one year but not later than 5 years	18,550	19,064
Later than 5 years	19,103	21,826
	42,129	**45,277**

(iv) Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the parent entity or its controlled entities.

14. Lease incentives

	2020 $'000	2019 $'000
Lease incentives	2,805	2,626
Amortisation of lease incentives	(1,106)	(816)
Impairment of lease incentives	(623)	(586)
	1,076	**1,224**

(i) Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the parent entity or its controlled entities.

15. Trade and other payables

	2020 $'000	2019 $'000
Trade payables	9,526	8,751
Accruals	16,075	19,057
GST payable	-	2,849
Other payables	421	224
	26,022	**30,881**

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.

16. Borrowings

	2020 $'000	2019 $'000
Non-Current		
Bank loans – secured (Corporate facilities)	116,750	89,800
Bank loan – secured (Williams Landing Shopping Centre facility)	29,193	29,193
Facility fees capitalised (amortised over the period of facility)	(842)	(414)
Amortisation of facility fees	261	177
	145,362	**118,756**

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 $116,750,000 provided by three major banks (2019 - $89,800,000 provided by two major banks) 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 13.

(ii) Financing arrangements

The group had access to the following lines of credit at balance date:

	2020 $'000	2019 $'000
Corporate facilities		
Total facilities (loan and guarantees)	205,000	205,000
Used at balance date (loan and guarantees)	137,106	104,579
Unused at balance date	67,894	100,421
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
Total Facilities	235,000	235,000
Used at balance date	166,299	133,772
Unused at balance date	**68,701**	**101,228**

The consolidated entity has total corporate finance facilities of $205,000,000 (2019 - $205,000,000), with $82,000,000 each provided by two major banks and $41,000,000 provided by a third major bank (2019 - $102,500,000 each provided by two major banks). The consolidated entity amended and extended the its corporate facility in July 2019 and further extended the facility again in February 2020 following its annual review. The changes included longer facility tenure, with the previous three-year facility now comprising:

- $165,000,000 (approximately 80%) of the facility expiring January 2023; and
- $40,000,000 (approximately 20%) of the facility expiring January 2025.

The conditions of the facilities impose certain covenants including interest cover, loan-to-valuation ratio and leverage ratio (net debt to EBITDA). The interest on the corporate loan facilities is variable and at 30 June 2020 was an average rate of 1.59% (2019 – 2.73%) per annum. The corporate facilities include bank guarantee facilities of $25,000,000 (2019 - $20,000,000) subject to similar terms and conditions, which were drawn to a total amount of $20,356,000 at 30 June 2020 (2019 -$14,779,000).

The consolidated entity has a facility of $30,000,000 (2019 - $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. During the financial year the facility was extended to June 2023. The interest on the Williams Landing Shopping Centre loan facility is variable and at 30 June 2020 was an average rate of 1.74% (2019 – 2.95%) per annum.

Details of the group's exposure to risk arising from current and non-current borrowings are set out in note 28. Financial risk management.

17. Derivative financial instruments

	2020 $'000	2019 $'000
Current liabilities		
Interest rate hedge contracts	-	230
Non-current liabilities		
Interest rate hedge contracts	144	31
	144	**261**

(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 group's policy is 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 2020 to 30 June 2023. 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 2.07% per annum (2019 – 2.07% to 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 1.00% - 1.95% (2019 – 1.50% to 1.95%). 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% (2019 – 1.50% and apply a floor to interest rates of 0.87%).

Interest rate hedge contracts currently in place cover approximately 38% (2019 – 46%) of the variable loans outstanding at balance date, with terms expiring in 2021, 2022 and 2023. 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.

18. Other financial liabilities

	Notes	2020 $'000	2019 $'000
Current			
Due to vendors of properties under contracts of sale		31,570	8,957
Other payables	(i)	504	381
		32,075	**9,338**
Non-current			
Due to vendors of properties under contract of sale		49,592	16,849
		49,592	**16,849**

(i) Fair value adjustment

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

19. Lease liabilities

	2020 $'000	2019 $'000
Lease liabilities		
At start of the year	-	-
Recognised on 1 July 2019	2,666	-
Effect of exercising extension options	209	-
Additions	36	-
Interest	91	-
Principal and interest repayments	(751)	-
At the end of the year	**2,251**	**-**

Comprising:

	2020 $'000	2019 $'000
Current lease liabilities	815	-
Non-current lease liabilities	1,436	-
	2,251	**-**

The total cash outflow for leases in 2020 was $751,000 excluding GST. As at 30 June 2020, potential future cash outflows of $3,395,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

20. Provisions

	Notes	2020 $'000	2019 $'000
Current			
Employee benefits	(i)	1,310	1,073
Site remediation	(ii)	-	3,021
		1,310	**4,094**
Non-current			
Employee benefits		210	125
		210	**125**

(i) Movements in current employee benefits

	2020 $'000	2019 $'000
Carrying amount at start of year	1,073	1,024
Provided during the period	850	731
Payments	(613)	(682)
Carrying amount at end of year	**1,310**	**1,073**
Current leave obligations expected to be settled after 12 months	624	555

(ii) Movements in site remediation provisions

	2020 $'000	2019 $'000
Carrying amount at start of year	3,021	-
Capitalised to inventory	-	3,400
Payments	(3,021)	(379)
Carrying amount at end of year	**-**	**3,021**

Site remediation provision related to obligations under a land acquisition contract.

21. Deferred tax

(i) Assets

	Notes	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:			
Inventory		2,196	2,572
Special Unit in the BCM Apartment Trust		1,858	1,858
Provision for customer rebates		1,168	1,744
Provision for employee benefits		682	744
		5,904	**6,918**

(i) Assets (continued)

	Notes	2020 $'000	2019 $'000
Other			
Derivative financial instruments		43	75
Borrowing costs		49	58
Right-of-use assets		107	-
Receivables		45	39
Share issue expenses		6	5
Other sundry items		94	73
Sub-total other		344	253
Total deferred tax assets		6,248	7,171
Set-off of deferred tax assets pursuant to set-off provisions		(6,248)	(7,171)
Net deferred tax assets		-	-
Deferred tax assets at the start of the year		7,171	8,301
(Decrease) in deferred tax assets (debited) to income tax expense	3	(982)	(1,130)
Increase in deferred tax assets (credited) to equity		59	-
Deferred tax assets at the end of the year		6,248	7,171
Deferred tax assets expected to be recovered within 12 months		3,739	3,175
Deferred tax assets expected to be recovered after more than 12 months		2,509	3,996
		6,248	**7,171**

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 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
Adjustment on adoption of AASB16	-	-	-	-	57	57
At 1 July 2019	2,572	1,858	1,744	744	310	7,228
(Charged)/credited						
- to profit or loss	(376)	(690)	114	(62)	32	(982)
- directly to equity	-	-	-	-	2	2
At 30 June 2020	**2,196**	**1,168**	**1,858**	**682**	**344**	**6,248**

(ii) Liabilities

	Notes	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Inventory		7,622	7,671
Deferred development costs		3,923	3,371
Prepayments		1,134	647
Investment Property		430	324
		13,109	12,013
Other			
Lease incentives		323	367
Revaluation reserve		16	21
Other sundry items		(3)	12
Sub-total other		336	400
Total deferred tax liabilities		13,445	12,413
Set off of deferred tax assets pursuant to set-off provisions		(6,248)	(7,171)
Net deferred tax liabilities		7,197	5,242
Deferred tax liabilities at the start of the year		12,413	12,872
(Decrease) increase in deferred tax liabilities (credited) debited to income tax expense	3	1,032	(459)
Deferred tax liabilities at the end of the year		13,445	12,413
Deferred tax liabilities expected to be settled within 12 months		5,320	6,284
Deferred tax liabilities expected to be settled after more than 12 months		8,125	6,129
		13,445	**12,413**

Movements	Inventory $'000	Deferred development costs $'000	Prepayments $'000	Investment Property $'000	Other $'000	Total $'000
At 1 July 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
Charged/(credited)						
- to profit or loss	(49)	552	487	106	(64)	1,032
At 30 June 2020	**7,622**	**3,923**	**1,134**	**430**	**336**	**13,445**

22. Equity

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Movement in ordinary share capital				
Start of the year	**80,117,767**	**79,516,567**	**125,979**	**123,018**
Shares issued pursuant to the dividend reinvestment plan:				
Ordinary shares issued on 25 October 2019 at $6.73	243,401	-	1,638	-
Ordinary shares issued on 26 October 2018 at $5.64	-	526,554	-	2,970
Shares issued pursuant to the bonus share plan:				
Ordinary shares issued on 25 October 2019	25,398	-	-	-
Ordinary shares issued on 26 October 2018	-	74,646	-	-
Transaction costs arising on share issues	-	-	(6)	(9)
Shares issued under employee share scheme:				
Ordinary shares issued on 28 August 2019	61,260	-	170	-
	330,059	**601,200**	**1,802**	**2,961**
End of the year	**80,447,826**	**80,117,767**	**127,781**	**125,979**

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 shareholder meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Holders of performance rights or zero-price options under executive or employee share plans are not entitled to participate in dividends or any winding up of the company, nor are they entitled to vote at shareholder meetings.

(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 2020 financial year and in operation for the 2019 final dividend and suspended for the 2020 interim dividend.

(iii) Employee share scheme

Details of the company's employee share scheme can be found in note 40 and in the remuneration report on pages 44 and 46 to 48 of this financial report.

23. 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	2020 $'000	2019 $'000
Composition			
a) Asset revaluation reserve (pre-1992)		38	49
b) Employee share plan reserve		530	378
Balance at the end of the year		**568**	**427**
Movements			
a) Asset revaluation reserve			
Balance at the beginning of the year		49	49
Transfer to retained profits	24	(11)	-
Balance at the end of the year		38	49
b) Employee share plan reserve			
Balance at the beginning of the year		378	393
Share-based payments expense		161	(15)
Transfer to retained profits		(9)	-
Balance at the end of the year		530	378

The asset revaluation reserve was used until 1992 to record increments and decrements on the revaluation of non-current assets. Refer to note 41(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 40.

24. Retained profits

	Notes	2020 $'000	2019 $'000
Retained profits at the start of the year		250,124	229,726
Change in accounting policy	42	2	-
Net profit attributable to members of Cedar Woods		20,899	48,644
Transfers from reserves	23	11	67
Dividends provided for or paid	30	(20,709)	(28,313)
Employee share scheme	23	9	-
Retained profits at the end of the year		**250,336**	**250,124**

25. Categories of financial assets and financial liabilities

Notes 5, 6, 15, 16, 17, 18 and 19 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
2020			
Cash and cash equivalents	5	2,691	2,691
Trade and other receivables*	6	9,188	9,188
Total		**11,879**	**11,879**
2019			
Cash and cash equivalents	5	13,422	13,442
Trade and other receivables*	6	5,968	5,968
Total		**19,410**	**19,410**

*Excluding prepayments and contract assets

Financial Liabilities	Notes	Derivatives used for hedging $'000	Liabilities at amortised cost $'000	Total $'000
2020				
Trade and other payables	15	-	26,022	26,022
Borrowings	16	-	145,362	145,362
Derivative financial instruments	17	144	-	144
Other financial liabilities	18	-	81,667	81,667
Lease liabilities	19	-	2,251	2,251
Total		**144**	**255,302**	**255,446**
2019				
Trade and other payables	15	-	30,881	30,881
Borrowings	16	-	118,756	118,756
Derivative financial instruments	17	261	-	261
Other financial liabilities	18	-	26,187	26,187
Total		**261**	**175,824**	**176,085**

Cash Flow information

26. Cash Flow information

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

	2020 $'000	2019 $'000
Profit after income tax	20,899	48,644
Depreciation and amortisation	3,412	2,275
Amortisation of lease incentives and legal fees	373	263
Write down of assets – investment property and lease incentives	46	98
Write down of inventory	286	271
Write down/ loss on sale of non-current assets	186	280
Write down of available for sale financial assets – BCM Apartment Trust	123	(843)
Fair value (gain) loss on derivative financial instrument	(117)	77
Non-cash share-based payments expense (reversal)	322	(15)
Share of loss (profit) in equity accounted investment	174	(22)
Changes in operating assets and liabilities		
Increase in provisions for employee benefits	322	97
(Decrease) in contract liabilities	(1,918)	(1,266)
(Decrease) increase in provisions	(3,021)	3,021
(Increase) decrease in inventories	(77,307)	15,996
(Increase) decrease in other deferred development costs	(3,295)	253
Decrease in deferred tax assets	982	1,130
(Decrease) in current income tax payable	(4,614)	(12,694)
Increase (decrease) in deferred tax liability	1,032	(459)
Decrease in capitalised borrowing costs	261	176
(Increase) decrease in trade receivables	(2,840)	4,022
(Increase) in contract assets	(1,185)	(176)
(Decrease) in trade creditors	(4,968)	(15,391)
Increase (decrease) in other financial liabilities	55,356	(12,648)
Net cash (outflows) inflows from operating activities	**(15,491)**	**33,089**

(ii) Net debt reconciliation

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

	2020 $'000	2019 $'000
Cash and cash equivalents	2,691	13,442
Borrowings – repayable within one year	-	-
Borrowings – repayable after one year	(145,362)	(118,756)
Net debt	**(142,671)**	**(105,314)**
Cash and cash equivalents	2,691	13,442
Gross debt – fixed interest rates	-	-
Gross debt – variable interest rates	(145,362)	(118,756)
Net debt	**(142,671)**	**(105,314)**

	Other Assets	Liabilities from financing activities		
	Cash $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 July 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)**
Cash flows	(10,751)	-	(26,345)	(37,096)
Other non-cash movements	-	-	(261)	(261)
Net debt as at 30 June 2020	**2,691**	**-**	**(145,362)**	**(142,671)**

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.

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.

27. 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 executed sales contracts at year end and management's settlement 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 planning and development approvals. Other items of estimation within project cash flow models utilised for assessing the recoverable amount of inventory can include future sales rate, sales prices, further development costs required to complete the inventory for settlement and in some cases escalation of revenues and costs and total project yield.

Management make informed estimates drawing on historical and recent experience, expert advice from consultants, third party valuations and economic and property market forecasts. In the current period, estimates have considered the impact of the COVID-19 pandemic, in particular on customer demand and its effect on future sales rates and prices.

If approvals are not received when anticipated or forecasts of project yield, sale prices or future costs are significantly inaccurate, the recoverable amount of inventory may be significantly impaired. Refer also to note 41(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.

28. 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:

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	2,691	13,442
Trade and other receivables	10,598	7,759
	13,289	**21,201**
Financial liabilities		
Trade and other payables	26,022	30,881
Other financial liabilities	81,667	26,187
Borrowings	145,362	118,756
Lease liabilities	2,251	-
Derivative financial instruments	144	260
	255,446	**176,084**

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 2020 to 30 June 2023.

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 2.07% per annum (2019 – 2.07% - 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 1.00% - 1.95% (2019 – 1.50% - 1.95%). 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% (2019 – 1.50% and apply a floor to interest rates of 0.87%).

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. Hedge contracts currently in place cover 38% (2019 - 46%) of the variable loan outstanding at balance date of $145,943,000 (2019 - $118,993,000), with terms expiring in 2021, 2022 and 2023.

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

	2020			2019		
	Interest bearing - variable $'000	Non-interest bearing $'000	Total $'000	Interest bearing - variable $'000	Non-interest bearing $'000	Total $'000
Receivables						
Other receivables	-	10,598	10,598	-	7,759	7,759
Employee share loans	-	3	3	-	2	2
	-	**10,601**	**10,601**	**-**	**7,761**	**7,761**

	2020			2019		
	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	-	145,943	145,943	-	118,993	118,993
Other financial liabilities	81,162		81,162	25,806	-	25,806
	81,162	**145,943**	**227,105**	**25,806**	**118,993**	**144,799**

The weighted average interest rate at year end is 1.59% (2019: 2.73%)

An analysis by maturity is provided in 28(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. During the year forecasts included numerous scenario modelling including downside cases that considered potential significant impacts of the COVID-19 pandemic and government response. 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 2020 the group had undrawn committed facilities of $68,701,000 (2019 - $101,228,000) and cash of $2,691,000 (2019 - $13,442,000) to cover short term funding requirements. Refer to 16(ii) for details. The Company continued to operate within all of its facility covenants throughout FY2020.

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 2020	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives					
Non-interest bearing	26,526	-	-	26,526	26,526
Fixed rate	31,994	16,334	37,774	86,102	81,162
Variable rate	-	122,798	30,717	153,515	145,362
Derivatives	-	136	8	144	144
Total	**58,520**	**139,268**	**68,499**	**266,287**	**253,194**

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**

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 2020 and 30 June 2019:

As at 30 June 2020	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities					
Derivatives used for hedging	17	-	144	-	144
Total liabilities		**-**	**144**	**-**	**144**

As at 30 June 2019	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities					
Derivatives used for hedging	17	-	261	-	261
Total liabilities		**-**	**261**	**-**	**261**

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

29. 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 primary 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	2020 $'000	2019 $'000
Total interest-bearing bank debt	16	145,362	118,756
Less: cash and cash equivalents	5	(2,691)	(13,442)
Net debt		142,671	105,314
Shareholders' equity		378,685	376,530
Gearing ratio		**37.7%**	**28.0%**

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. The group operated comfortably within the target range during the income year.

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 16 and include requirements in relation to a maximum loan to valuation ratio, a maximum leverage ratio (net debt to EBITDA) and minimum interest cover ratio.

30. Dividends

a. Ordinary shares

	2020 $'000	2019 $'000
Fully franked based on tax paid at 30%		
Final dividend for the year ended 30 June 2019 of 13.5 cents (2018 – 18.0 cents) per fully paid share		
- Paid in cash	9,015	10,918
- Satisfied by shares under the dividend reinvestment plan	1,638	2,970
- Applied to the employee share loans	-	4
Interim dividend for the year ended 30 June 2020 of 12.5 cents (2019 – 18.0 cents) per fully paid share		
- Paid in cash	10,056	14,417
- Applied to the employee share loans	-	4
Total	**20,709**	**28,313**

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 6.5 cents per fully paid ordinary share (2019 – 13.5 cents), fully franked based on the tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 30 October 2020 out of retained profits at 30 June 2020, but not recognised as a liability at year end is below:

	2020 $'000	2019 $'000
Dividends not recognised at year end	**5,229**	**10,816**

c. Franked Dividends

The franked portions of the final dividend proposed at 30 June 2020 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

	2020 $'000	2019 $'000
Franking credits available for the subsequent financial year on a tax-paid basis of 30% (2019 – 30%)	**94,245**	**96,261**

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 $2,241,000 (2019 - $4,635,000).

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.

Group Structure

31. Subsidiaries

The group's operating subsidiaries at 30 June 2020 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 principal activities of all subsidiary entities are property development and/or investment.

The consolidated financial statements incorporate the assets, liabilities and results in accordance with the accounting policy described in note 41(b).

Company	Notes	Equity Holding 2020	Equity Holding 2019
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%
Jarrah Property Pty Ltd		100%	100%
Kayea Property Pty Ltd		100%	100%
Lonnegal Property Pty Ltd		100%	100%
Osprey Property Pty Ltd		100%	100%
Silhouette Property Pty Ltd		100%	100%
Terra Property Pty Ltd		100%	100%
Upside Property Pty Ltd		100%	100%
Vintage Property Pty Ltd		100%	100%
Williams Landing Home Improvement Pty Ltd		100%	100%
Williams Landing Home Improvement Trust		100%	100%
Williams Landing Shopping Centre Pty Ltd		100%	100%
Williams Landing Shopping Centre Trust		100%	100%
Williams Landing Town Centre Pty Ltd		100%	100%
Woodbrooke Property Pty Ltd		100%	100%
Yonder Property Pty Ltd		100%	100%
Zamia Property Pty Ltd		100%	100%

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.

32. Interests in joint arrangements

Set out below are the joint ventures of the group as at 30 June 2020. 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	
	2020	2019			2020	2019
	%	%			$'000	$'000
Cedar Woods Wellard Limited	32.5	32.5	Joint Venture	Equity method	1,576	2,725

The consolidated entity owns a 32.5% (2019 – 32.5%) interest in Cedar Woods Wellard Limited, a property development company incorporated in Australia. Cedar Woods Wellard Limited is developing the Emerald Park residential estate at Wellard, WA. 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.

The carrying amount represents the amount attributable to the group.

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

Cedar Woods Wellard Limited has no commitments for expenditure at 30 June 2020 (2019 - Nil) and has no contingent liabilities (2019 - Nil).

(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.

Cedar Woods Wellard Limited	2020 $'000	2019 $'000
Current assets		
Cash	480	1,599
Other current assets	3,661	4,200
Total current assets	**4,141**	**5,799**
Total non-current assets	**2,801**	**4,803**
Total assets	**6,942**	**10,601**
Total current liabilities	**107**	**229**
Total liabilities	**107**	**229**
Net assets	**6,835**	**10,372**
Group's share in %	32.5%	32.5%
Group's share in $	2,221	3,371

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

	2020 $'000	2019 $'000
At start of the year	2,725	3,028
Share of (loss) profit after income tax	(174)	22
Capital return	(975)	(325)
At end of the year	1,576	2,725
Share of (loss) profit before income tax	(174)	22
Share of (loss) profit after income tax	(174)	22
Share of joint venture's revenue, assets, liabilities and contingent liabilities		
Revenue	448	1,042
Assets	2,256	3,445
Liabilities	(35)	(74)

33. Deed of Cross Guarantee

Cedar Woods Properties Limited and all subsidiaries listed at note 31 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 for the year ended 30 June, and summary of movements in consolidated retained profits

	2020 $'000	2019 $'000
Revenue from continuing operations	**258,282**	**367,593**
Cost of sales of land and buildings	(181,894)	(246,851)
Cost of providing development services	(1,628)	(6,433)
Other expenses from ordinary activities:	(43,605)	(44,725)
Other Income	1,631	819
Finance costs	(2,245)	(3,072)
Share of net profit of joint ventures accounted for using the equity method	(174)	22
Profit before income tax	**30,367**	**67,353**
Income tax expense	(9,317)	(20,298)
Profit for the year	**21,050**	**47,055**
Total comprehensive income for the year	**21,050**	**47,055**

b) Summary of movements in consolidated retained profits

	2020 $'000	2019 $'000
Retained profits at the beginning of the financial year	**249,920**	**231,111**
Profit for the period	21,050	47,055
Transfers from reserves	20	67
Dividends provided for or paid	(20,709)	(28,313)
Retained profits at the end of the financial year	**250,281**	**249,920**

c) Consolidated balance sheet as at 30 June

	2020 $'000	2019 *Restated $'000
ASSETS		
Current assets		
Cash and cash equivalents	2,640	13,277
Trade and other receivables	8,468	7,692
Contract assets	3,329	2,144
Inventories	157,003	141,892
Deferred development costs	3,523	2,921
Current tax asset	787	-
Total current assets	**175,750**	**167,926**
Non-current assets		
Receivables	2,469	2,517
Inventories	401,314	337,065
Deferred development costs	11,010	8,317
Investments accounted for using the equity method	1,576	2,725
Property, plant and equipment	7,117	7,212
Intangible assets	3,241	2,428
Right-of-use assets	1,906	-
Investment properties	40,701	41,642
Lease incentives	1,076	1,224
Total non-current assets	**470,410**	**403,130**
Total assets	**646,160**	**571,056**
LIABILITIES		
Current liabilities		
Trade and other payables	26,000	30,811
Derivative financial instruments	-	230
Other financial liabilities	31,570	8,957
Current tax liabilities	-	3,822
Contract liabilities	3,894	5,813
Lease liabilities	815	-
Provisions	1,310	4,094
Total current liabilities	**63,589**	**53,727**

	2020 $'000	2019 *Restated $'000
Non-current liabilities		
Borrowings	145,362	118,756
Derivative financial instruments	144	31
Other financial liabilities	49,592	16,849
Lease liabilities	1,436	-
Provisions	210	125
Deferred tax liabilities	7,197	5,242
Total non-current liabilities	**203,941**	**141,003**
Total liabilities	**267,530**	**194,730**
Net assets	**378,630**	**376,326**
EQUITY		
Contributed equity	127,781	125,979
Reserves	568	427
Retained profits	250,281	249,920
Total equity	**378,630**	**376,326**

* The prior period has been restated to include a non-current receivable of $2,515,000 from a consolidated subsidiary outside of the closed group.

34. 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:

	2020 $'000	2019 $'000
Balance sheet		
Current assets	33,555	56,448
Total assets	411,774	397,735
Current liabilities	(38,542)	(49,050)
Total liabilities	(156,519)	(138,991)
Net assets	**255,255**	**258,744**
Shareholders' equity		
Issued capital	127,781	125,979
Reserves	530	379
Retained profits	126,944	132,386
	255,255	**258,744**
Profit for the year	9,178	23,363
Total comprehensive income	**9,178**	**23,363**

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.

Unrecognised Items

35. Contingent liabilities

a) Bank guarantees

At 30 June 2020 bank guarantees totalling $20,356,000 (2019 - $14,779,000) 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. The contractor lodged a counterclaim for unspecified damages against Cedar Woods, however the counterclaim was dismissed. It is not practicable to estimate the potential effect of Cedar Woods' claim.

36. 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	
	2020 $'000	**2019 $'000**
Within 1 year	10	936
Later than 1 year but not later than 5 years	-	2,287
	10	**3,222**

The group leases various corporate offices, IT equipment and land for sales centres or marketing signage 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.

From 1 July 2019, the group has recognised right-of-use assets for these leases, except for short-term and low value leases. See note 42 for further information.

b) Capital commitments

At 30 June 2020 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 $6,577,000 (2019 - $11,994,000), for building construction was $63,945,000 (2019 - $92,381,000) and for landscaping construction was $1,481,000 (2019 - $2,425,000). This work will be substantially completed in the next 12 months.

37. Events occurring after the reporting period

Refer to note 30(b) for details of the final dividend recommended by the directors, to be paid on 30 October 2020.

No other matters or circumstances have arisen since 30 June 2020 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.

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.

38. Related Party Transactions

a) Key management personnel compensation

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

	Consolidated	
	2020 $	2019 $
Short-term employee benefits	2,365,161	2,561,165
Post-employment benefits	165,577	154,052
Long-term employee benefits	208,077	24,694
	2,738,815	**2,739,911**

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 31.

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 Pty Ltd derived management and selling fees totalling $115,485 (2019 - $284,427) 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.

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 FY2020 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.

In 2019 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.

In 2019 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:

	2020 $	2019 $
Amounts recognised as expense		
Architectural fees	6,000	-
Creative design services	-	30,908
Settlement fees	196,658	189,616
Sponsorships	-	3,182
	202,658	**223,706**
Amounts recognised as inventory/ investment property		
Architectural fees	127,755	221,993
	127,755	**221,993**
Total amounts recognised in year	**330,413**	**445,699**
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	123,155	219,718
Investment property	4,600	2,275
	127,755	**221,993**

There are no aggregate amounts payable to directors of Cedar Woods at balance date.

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

A balance of $4,560 was payable to a related entity (Hames Sharley) at balance date (2019 - Nil).

39. Remuneration of Auditors

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

PricewaterhouseCoopers – Australian firm	2020 $	2019 $
Assurance services		
- Audit and review of the financial statements	268,091	215,457
Non-audit services		
- Taxation advice and reviews	26,520	48,960
- Accounting advice	-	10,896
Total fees for non-audit services	26,520	59,856
Total assurance and non-audit services	**294,611**	**275,313**

40. Employee Share Scheme

The current Long Term Incentive (LTI) plans effective from 1 July 2017 for FY2018, from 1 July 2018 for FY2019 and from 1 July 2019 for FY2020 will continue in FY2021.

The current LTI plan for the MD and executives 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.

Full details of the operation of the current LTI plan are set out in the remuneration report on pages 46 to 48 of this annual financial report.

The MD receives 45% of the STI in cash, with 55% deferred by way of a grant of zero-price options under the Deferred Short Term Incentive (DSTI) Plan. The STI including the DSTI is awarded based on the Remuneration and Nominations Committee's assessment of the company's overall performance using the Balanced Scorecard. Full details of the operation of the current DSTI plan are set out in the remuneration report on pages 44 of this annual financial report.

41. 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:

- *AASB 16 Leases*
- *AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- *AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- *AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- *AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- *Interpretation 23 Uncertainty over Income Tax Treatments*

The group changed its accounting policies as a result of adopting AASB 16 *Leases*. The impact of the adoption of the new accounting policies are disclosed in notes 41(s) and 42. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

iv. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the group.

These standards are not 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 2020 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 32.

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.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 41(q).

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 and other income

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.

v. Government grants

Grants from the government are recognised as other income at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

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 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) Intangible assets

Costs associated with maintaining software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include contractor and employee costs. The group does not apportion overheads to capitalised intangible assets.

Intangible assets and amortised from the point at which the asset is ready for use using the straight-line method over the expected useful lives as follows:

- IT development and software – 3 to 5 years

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.

n) Investments and other financial assets

i. Classification

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

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.

o) 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.

p) 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.

q) 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.

r) Trade and other payables

Trade payables 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 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

s) Leases

i. Group as a lessee

The group leases corporate offices, IT equipment and land for sales centres or marketing signage. Rental contracts vary in periods and may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to 1 July 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the group's incremental borrowing rate is used, being the rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. This reflects the group's weighted average interest rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in offices and equipment leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

ii. Group as a lessor

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.

t) 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.

u) 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.

v) 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.

w) 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.

x) 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.

y) 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.

z) 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.

aa) Share based payments

Share based compensation benefits are provided to employees via the Deferred STI and LTI plans. Information relating to these schemes is set out in the remuneration report on pages 44 and 46 to 48.

The value of Performance Rights granted under the Deferred STI and LTI plans is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the Performance Rights granted:

- Including any market performance conditions (e.g. the entity's share price); and
- Excluding the impact of any service and non-market performance vesting conditions (e.g. profitability and remaining an employee of the group over a specified time period)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the group revises its estimates of the number of Performance Rights that are expected to vest based on the non-market vesting and service conditions. The impact of the revision to original estimates is recognised, if any, in profit or loss with a corresponding adjustment to equity.

bb) 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.

cc) 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.

dd) 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.

42. Changes in Accounting Policies

This note discloses the impact of the adoption of AASB 16 *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.64%.

	$'000
Operating lease commitments disclosed as at 30 June 2019	3,222
Less: Non-lease components previously included in lease commitments	(308)
Operating lease commitments as at 30 June 2019	**2,914**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,673
Less: low value leases recognised on a straight-line basis as expense	(3)
Less: short-term leases recognised on a straight-line basis as expense	(4)
Lease liability recognised at 1 July 2019	**2,666**
Of which are:	
Current lease liabilities	643
Non-current lease liabilities	2,023
	2,666

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied. The group did not restate comparative information, instead, the cumulative effect of initially applying AASB16 was recognised as an adjustment to the opening balance of retained earnings at the date of initial application. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	1 July 2019 $'000
The recognised right-of-use assets relate to the following types of assets:	
- Properties	2,405
- Equipment	79
Total right-of-use assets	**2,484**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets – increase by $2,484,000
- Deferred tax assets – increase by $57,000
- Lease liabilities – increase by $2,666,000
- Other payables – decrease by $127,000

The net impact on retained earnings on 1 July 2019 was an increase of $2,000.

i. Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- reliance on previous assessments on whether leases are onerous
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of AASB 16.

43. 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.

Declaration and Independent Auditor's report

Directors' Declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 63 to 121 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 2020 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 31 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 33.

Note 41(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
26 August 2020

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 2020 and of its financial performance for the year then ended, and

(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 2020
- 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, and
- 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 (including Independence Standards)* (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.

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.

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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 are located in Western Australia, Victoria, Queensland and South Australia.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of \$1.5 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.	• 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 development site visits being performed across the year.	• Amongst other relevant topics, we communicated the following key audit matter to the Audit and Risk Management Committee: – Valuation of inventory • This is further described in the *Key audit matters* section of our report.

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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*
Valuation of inventory *(Refer to note 7, 27(b) and 41(i))* As of 30 June 2020, the Group recognised total inventory of property held for sale of $559m, split between current inventory of $137m and non-current inventory of $422m. Inventory is stated at the lower of cost and net realisable value for each development project, as assessed at each reporting date. The cost of the inventory is calculated as the sum of land acquisition costs, development costs and borrowing costs capitalised for eligible projects. The Group's estimate of net realisable value is calculated based on the estimated selling price of the inventory, less the estimated costs of completion and selling costs. Each of these factors is impacted by assumptions about future market and economic conditions which inherently are subject to the risk of change, with increased uncertainty due to the impact of COVID-19. These assumptions include future sales prices, future sales rates, forecast development costs for completion, and in some cases escalation rates of sales and costs and total project yield. This was a key audit matter given the relative size of the inventory balance in the Consolidated Balance Sheet and the inherent subjectivity and significant judgements involved in the key assumptions and estimates used to calculate net realisable value.	We performed the following procedures, amongst others: • We obtained an understanding and evaluated the design of relevant controls in relation to inventory valuation, • We traced a sample of additions to the cost of projects (for e.g. land acquisition and development costs) to supporting documentation and assessed whether they were capitalised appropriately, • We recalculated a sample of the capitalisation of borrowing costs into inventory and assessed whether the borrowing costs were capitalised appropriately, and • We applied a risk-based assessment to determine those development projects where there was a greater risk that the carrying value of the inventory may be in excess of net realisable value. Our risk-based selection criteria incorporated our knowledge of the life cycle of each project from current and prior years, site visits and our understanding of current economic conditions relevant to individual project locations as informed by publicly available property market reports. In addition to these risk conditions, we focussed on specific projects which are large contributors to revenue and profit in the year.

Key audit matter	*How our audit addressed the key audit matter*
	For the selected projects we performed a combination of one or more of the following audit procedures: • We discussed current project performance with the Development manager and/or State manager, including factors such as the key project risks, strategy, construction progress, market conditions during the year and the outlook going forward, and sales revenue expected over the life of the project, • Where available for a project, we obtained the external third-party 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, • We obtained the net realisable value assessment and cash flow analysis performed by management and assessed the key assumptions, including: ○ comparing forecast sales value for each project to actual sales values known from the current period and comparable projects, ○ comparing forecast costs of the project to the relevant construction contracts (if applicable) or the construction contract proposal, ○ comparing management's forecast sales volumes, sales prices and cost escalation factors to internal and external data, and ○ assessing the mathematical accuracy of the cash flow analysis for a sample of calculations.

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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 2020, 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 About Cedar Woods, Letter from the Chairman, Letter from the Managing Director, Financial Performance Highlights, Our Business, Financial and Operating Review, ESG Report, Director's Report and Corporate Directory. 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 40 to 60 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Cedar Woods Properties Limited for the year ended 30 June 2020 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
26 August 2020

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

Date: Wednesday 4 November 2020
Time: 10:00am WST