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Cedar Woods Properties Limited

2017 Annual Report

ABN 47 009 259 081



Cedar Woods

Award Winning Property Developer

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About Cedar Woods

Cedar Woods Properties Limited is an Australian property development company. This year marks 30 years since the company was established in 1987, was listed on the Australian Securities Exchange in 1994 and was admitted to the ASX 300 in 2013. The company's shares trade under the security code 'CWP'.

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

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

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

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

Downloadable content

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

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

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

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

Cover - Botanica Apartments, Banbury Village, Victoria

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Newton Apartments, Williams Landing, Victoria

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Cedar Woods' Charter

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

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

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

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

Integrity

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

Performance

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

Innovation

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

People and Environment

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

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

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



The Rivergums, Western Australia

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Our Strategy and Business Model

Our Strategy

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

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

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

Delivering on strategy in FY2017

We completed the acquisitions of the Wooloowin land in Brisbane, the Glenside land in Adelaide and Anstey Road land in Forrestdale, with the settlements of each property during the second half. We completed the acquisition of land at Bonnie Brook in Victoria with settlement in July 2017. The acquisition of land at Port Adelaide was progressed with settlement anticipated within the next 12 months.

We built our first apartment project at the Williams Landing Town Centre and have already launched the second stage of apartments. We concluded negotiations with Target Australia for the relocation of the Target HQ to a new office that we will develop at Williams Landing, and the sale of the building, once completed in FY2019.

Our new residential estates at Ellendale in Brisbane and Bushmead in Perth were received well by homebuyers, with strong sales and first settlements achieved in FY2017.

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

Our Business Model

Property Acquisitions

Disciplined approach to acquisitions

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

Development

Research, design, planning and delivery

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

Marketing & Sales

Positioning projects to meet demand

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

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Financial and Operating Review

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

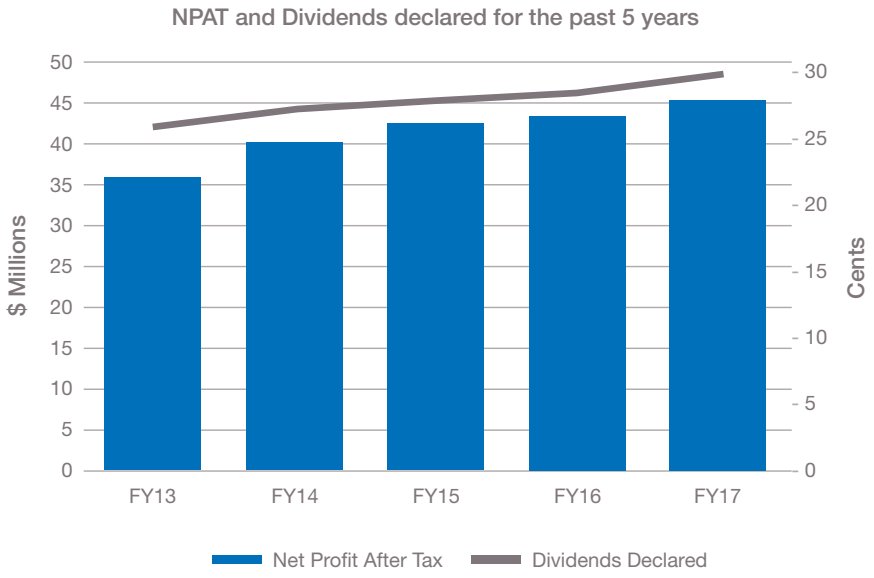
The following summarises the results of operations during the year and the financial position of the consolidated entity at 30 June 2017:

a) 2017 Financial Highlights

- **record net profit of $45,445,000, up 4.2 per cent;**
- **record full year dividends of 30.0 cents per share, up 5.3 per cent;**
- **record earnings per share of 57.6 cents, up 4.2 per cent;**
- **low level of bank debt;**
- **strong interest cover;**
- **total shareholder return of 29.7% on company shares.**

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

Cedar Woods has a track record of growth over the past seven years with Net Profit after Tax growing from $36.3m in FY13 to $45.4m in FY2017 and dividends declared growing from 26 cents to 30 cents per share.



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c) 2017 Financial Results Summary

Year ended 30 June	2017 $'000	2016 $'000	% Change
Revenue	222,269	175,159	26.9%
Net profit after tax	45,445	43,602	4.2%
Total assets	505,624	452,729	11.7%
Net bank debt	78,940	50,344	56.8%
Shareholders' equity	330,234	307,188	7.5%

d) Key Performance Indicators

Year ended 30 June		2017	2016	% Change
Basic earnings per share	¢	57.6	55.3	4.2
Diluted earnings per share	¢	57.4	55.2	4.0
Dividends per share – fully franked	¢	30.0	28.5	5.3
Return on equity	%	13.8	14.2	(0.4)
Return on capital	%	16.5	18.3	(1.8)
Total shareholder return (1 year)	%	29.7	(9.6)	39.3
Net bank debt to equity – 30 June	%	23.9	16.4	7.5
Interest cover	x	13.9	16.6	(2.7)
Net asset backing per share – historical cost	$	4.19	3.89	7.7
Shares on issue – end of year	'000	78,892	78,892	0.0
Stock market capitalisation at 30 June	$'000	411,026	343,179	19.8
Share price at 30 June	$	5.21	4.35	19.8

e) Financial Year Overview

During FY2017, buoyant conditions continued in Eastern States property markets, while in Western Australia the market stabilised and is now showing signs of a modest recovery. The company completed the acquisitions at Wooloowin in Brisbane and the Glenside project in Adelaide and made further acquisitions of smaller land parcels at Bonnie Brook in Victoria and Forrestdale in Western Australia, details of which are provided below.

During the year, significant progress was made with stages developed across the company's property portfolio of active projects. In particular, at the company's Ellendale development in Upper Kedron, Brisbane, the first stage of 142 lots stage was successfully developed and the majority sold and settled in FY2017, with the planning process advanced for the balance of the 228ha site. In Western Australia the Bushmead project was successfully launched, with stage 1 sales progressing well and the estate officially opened in June 2017. In addition, plans and approvals were progressed for a number of developments anticipated to commence in future years, with important planning milestones achieved at Millars Landing and Karmara (Piara) in Western Australia. In Williams Landing, Victoria, the company is building the Target head office. Construction has commenced and the building has been pre-sold with settlement due after completion in FY2019. Further details of achievements in the property portfolio follow in the next section.

The year closed with a record full year net profit of $45.4m, being the seventh consecutive year of record profit and earnings, allowing the Board to declare a record full year dividend of 30.0 cents per share, up 5.3%.

As a result, basic earnings per share for FY2017 was 57.6 cents, an increase of 4.2 per cent on the previous year.

Return on equity of 13.8 per cent and return on capital of 16.5 per cent were well above the company's benchmarks of 10 per cent and 12 per cent respectively.

The 1 year total shareholder return was 29.7%, with the company's share price benefitting from improved market sentiment towards WA exposed companies and reflecting the strong share price performance of most companies within the residential property sector.

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f) Operational Review of Developments

Nationally the housing sector experienced strong levels of activity in FY2017 with the number of housing starts only marginally lower than the record level set in FY2016. Building approvals continued at high levels through most of the year in all states in which the company operates, except Western Australia where FY2017 is expected to be the lowest year in the current cycle. The Housing Industry Association (HIA) is forecasting national dwelling starts to moderate further in FY2018, with the largest drop in NSW, and a more modest easing in activity in Victoria and Queensland.

In Victoria, the State government forecasts strong population growth, a steadily growing economy and increasing employment in FY2018 and these factors are expected to continue to support the housing sector. Prices have continued to grow in the Melbourne market over the past 12 months, although they are expected to ease over the next year.

In Western Australia, forward indicators on population growth, economic growth and employment indicate that the State economy has begun a modest recovery. The Housing Industry Forecasting Group anticipates an 11 per cent increase in Western Australian dwelling commencements in FY2018.

In Queensland, State Treasury is forecasting 3.5 per cent growth in the economy in FY2018, which continues to be faster than every other state in Australia, driven by strong export activity. Employment growth is expected to accelerate and dwelling investment is forecast to continue to grow at a steady rate. Dwelling prices in Sydney and Melbourne are now considerably higher than in Brisbane and this is expected to lead to a greater demand for property in Queensland as investors chase higher returns and owner-occupiers seek greater affordability.

In South Australia the economy is expected to grow by 2.25 per cent in FY2018 as low interest rates, government infrastructure spending and shipbuilding stimulate that market.

The Reserve Bank's monetary policy continues to stimulate the housing market, with the cash rate continuing at a low 1.5 per cent during the financial year. Affordability of housing and economic conditions remain supportive for the residential property sector in the states in which the company operates.

i. Victoria

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

The medium density housing developments, *St A.* in St Albans and *Jackson Green* in Clayton South, have progressed well with housing construction now underway at both projects. Demand for housing at both projects has been very strong with significant price growth starting to be achieved, especially for townhouse product. *Jackson Green's* first apartment building comprising 60 one and two bedroom apartments is fully sold and under construction with settlements due around the end of FY2018.

The *Banbury Village* development in Footscray is now 100 per cent complete and settled. *Banbury Village* and *Williams Landing* were finalists in the 2017 Property Council of Australia national awards.

Several new projects and stages within Williams Landing achieved significant milestones during FY2017:

- *Residential Land* – good presales and price growth achieved for stages to be delivered in FY2018.
- *Apartments* – 50 settlements were achieved in FY2017. Several other projects are being designed or delivered with very strong presales which are expected to settle in FY2018 and FY2019. A 10 year pipeline of apartment projects exists at Williams Landing.
- *Target head office* – during FY2017 the company secured an agreement for lease with Target Australia for a new 12,700m^2 eight level office building. Construction has commenced and the building has been pre-sold with settlement due after completion in FY2019. The sale is subject to building completion and rental commencement.
- *Strata office – 111 Overton Road*, offering a ground floor medical centre and 40 office suites launched in June 2017 and is approximately 50 per cent sold and leased. Construction is anticipated to commence in FY2018, with completion in FY2019, subject to satisfactory completion of the sale and leasing campaign.
- *Shopping Centre* – the centre is performing well with low vacancy rates and increasing visitation. An extension to the shopping centre was completed adding a childcare centre, gym, restaurants and other specialty tenancies. The *100 Overton Road* office building adjacent to the shopping centre is now 100 per cent leased.
- *Balance land* – numerous other projects are being planned and marketed, which will supplement earnings over the next 10 years.

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Just prior to the end of the financial year the company acquired an 11 hectare development site in Bonnie Brook for $4.2 million plus GST, which settled on 2 July 2017. Located 30 kilometres west of the Melbourne CBD, the project is anticipated to realise 135 residential lots, with development commencing around 2020. Bonnie Brook is a new residential suburb located between Plumpton and Rockbank in Melbourne's quickly developing western growth corridor. The region is currently experiencing strong demand and price growth.

The company has recently acquired an infill development site of approximately 1390m^2 in North Melbourne for $9.8m, GST incl. Located 2 kilometres north of the Melbourne CBD, it is anticipated that this medium density project will comprise premium 3 and 4 bedroom townhouses, with construction anticipated to commence shortly after settlement in June 2018. North Melbourne is a vibrant inner city location with the site enjoying close proximity to Flagstaff Gardens, Queen Victoria Market, University High School, University of Melbourne, The Royal Melbourne Hospital, Royal Park and The Melbourne Zoo.

ii. Western Australia

Market conditions stabilised in Western Australia during FY2017 with strong sales recorded in several estates, particularly in the second half.

Bushmead, launched in July 2016 and which was met with strong initial demand, has continued this momentum over FY2017 with stage one comprising 87 single residential lots now more than 85 per cent sold and presales of stage 2 having commenced. Located 15 kilometres east of the Perth CBD, *Bushmead* comprises a project of unique natural attributes and beauty within an urban infill location. The recognition by the Western Australian Government of the suburb of *Bushmead* in February 2017 has provided the project its own unique identity. The project site covers 273 hectares and will be developed in stages to deliver approximately 1054 lots over the next 6-8 years.

Strong sales activity continued in FY2017 at *Ariella Estate* in Brabham, which is located 17 kilometres north-east of Perth's CBD. Over three hundred lots remain at the estate with several stages being progressed and contributions expected in FY2018 and beyond.

Harrisdale Green, Cedar Woods' development project with the West Australian Housing Authority, has recorded strong sales with substantially all of stage 5, comprising 40 lots having sold during FY2017. Planning is now underway in the redesign of the balance of this project which is expected to yield 300 dwellings.

Early works have commenced in FY2017 on two new projects named *Millars Landing* and *Karmara*. *Millars Landing*, located in North Baldivis immediately adjacent the Kwinana Freeway, comprises a total of 119 hectares and is expected to yield a total of 1580 lots over the next 10-15 years. Construction works have commenced on site. *Karmara*, located within the inner south eastern suburb of Piara, comprises a total of 130 lots. Construction is expected to commence in September 2017. First settlements for both *Millars Landing* and *Karmara* are expected to be achieved in H2 FY2018.

Planning delays have been experienced in rezoning of the *Mangles Bay* marina-based tourist precinct, 39 kilometres south of the Perth CBD. It is now expected that completion of statutory planning will be achieved in mid FY2018 with first construction to occur in mid FY2019. This mixed use project will provide much needed boating and tourism facilities, together with a range of housing options for the Rockingham region, as well as improved public access to the Mangles Bay beach front.

Slower sales activity has been recorded at *The Rivergums*, located within the highly competitive south Baldivis region where price discounting has reduced margins. Current sales activity involves the sale of remaining lots within stages 10A and 10B, beyond which 270 lots remain lots remain within this flagship estate.

The Brook and *The Scarp*, located within the south eastern suburb of Byford and offering first and second home buyer product, have recorded lower than expected sales activity. Increased builder packaging and refocused marketing initiatives are expected to result in improved performance from these estates in FY2018.

The company's landholding at *Anstey Road, Forrestdale* was successfully rezoned from rural to urban in September 2016. It has been supplemented by the acquisition of an adjoining 4.89ha land parcel located immediately to the south of the existing holding for $3.8 million. This new acquisition is expected to yield 71 lots, increasing the Forrestdale holding to a total of 330 lots. First development is expected to commence in FY2018, being the start of an anticipated six year project.

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iii. *Queensland*

Sales at the company's first Queensland project, *Ellendale* in Upper Kedron, progressed well in FY2017 with settlements achieved in line with expectations. Construction on stage 2 commenced in 2016 and is well advanced. The planning process for the balance of the site is progressing and is expected to conclude in mid FY2018.

Planning is progressing for the company's project in the inner ring suburb of *Wooloowin* and the planning permit is expected to be in place by mid FY2018 with civil and housing construction on the first stage anticipated to commence in FY2019. The project plans include 279 medium-density residential dwellings in a sought after location near train stations, shopping centres, schools and parks.

iv. *South Australia*

Initial site preparation works have commenced at *Glenside*, the company's first development in South Australia. The 16-hectare site is well located, three kilometres south east of the Adelaide CBD, and is expected to deliver around 1,000 apartments and townhouses. Planning approvals are underway and the first sales release is expected in H2 FY2018.

The company's offer to purchase a 12.6 hectare site at *Port Adelaide* has been accepted by the State Government. The site is 14 kilometres north-west of the Adelaide CBD, 7 kilometres south of Adelaide's new submarine and frigate building precinct and only 1.5 kilometres from Semaphore Beach. The site is expected to yield around 500 dwellings with the majority being two and three storey townhouses. The contract of sale is being finalised and planning approvals for the initial stages of work are expected in FY2018.

g) Corporate Objectives, Strategy and Risks

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

Cedar Woods' primary objective is to create value for shareholders as it aims to deliver consistent year on year growth in net profit and earnings per share and put the company in the top half of all listed industrial companies based on financial performance. This year, the company reported full year net profit growth of 4.2 per cent and dividend growth of 5.3 per cent.

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

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

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

The company's key areas of focus, as set out in the Corporate Plan and shown in our business model on page 7 are:

i. *Acquisition of properties*

The focus on the project pipeline guides management's activities by ensuring there is sufficient diversity by geography and product to meet the company's ongoing earnings objectives in the years ahead and influences the company's acquisition strategy. Consequently, in FY2017 the company continued to evaluate opportunities in the four states it operates in and with regard to a variety of housing types.

In the last year the company completed its acquisition of two infill development sites that were contracted in the previous year. The first of these was the 3.8 hectare site in Wooloowin, a sought after suburb 6 kilometres north of the Brisbane CBD, and the second was the 16 hectare site at Glenside, just three kilometres from the CBD.

The company also acquired a site at Anstey Road, Forrestdale in WA and a greenfield site in Bonnie Brook, Victoria as discussed in section f) i and ii above.

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

ii. *Development*

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

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Cedar Woods utilises joint ventures and co-development arrangements to diversify the company's revenue streams and efficiently manage its capital. This year, the company continued development by Cedar Woods Wellard Limited, which generates ongoing revenue by way of management and selling fees. In addition, development resumed at *Harrisdale Green*, a co-development residential project with the WA Department of Communities.

Cedar Woods will build a number of commercial and retail property assets at *Williams Landing* and at other estates, where the development of those buildings is consistent with the estate's master plan objectives. The long term ownership of those assets will be balanced against the company's capital management objectives and acquisition opportunities. Developments may be sold once they have achieved the amenity objectives and their valuations have matured, with disposals likely to become a regular component of the company's future revenue stream. During the year the company concluded negotiations with Target Australia for the relocation of the Target head office to a new office that the company will develop at Williams Landing, and the sale of the building, subject to completion, anticipated in FY2019.

iii. Marketing and sales

The company continually assesses the markets in which it operates in order to ensure it has a wide offering of product to meet customer demand. Achieving sufficient pre-sales underwrites each development and is an important performance indicator for management. The company successfully launched and sold the first stages at *Ellendale* (Upper Kedron) in Brisbane's western corridor and at *Bushmead* in Perth's eastern corridor during the year and progressed approvals for a number of other projects across its portfolio that will contribute in future years.

h) Risks

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

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

Whilst house and land prices fluctuate, underlying demand will be driven by population growth and changing demographics. In the past, the company has achieved its profit objective by managing both prices and volumes through the property cycle.

Individual projects are exposed to a number of risks including those related to obtaining the necessary approvals for development, construction risks and delays, pricing risks and competition. The "call in" of the Upper Kedron project by the Queensland Government provides an example of such risks, with the company's program for that project delayed by approximately twelve months, and although approval was received to enable development on one third of the site, the company awaits the outcome of statutory planning process to be finalised for the rest of the site. The company aims to balance its portfolio at any time in favour of mature projects where the project risks are generally diminished.

i) Capital Management

The company reviewed its credit facilities during the year, increasing the corporate bank facility limit by $40m to $175m, and extending the tenure by a further year to November 2019. The increase in the facility limit provided funding for the *Wooloowin* and *Glenside* opportunities. In addition, the company has a facility of $30m in place for the *Williams Landing Shopping Centre*, expiring in February 2019. The year concluded with a low net debt to equity of 23.9 per cent at year end, at the lower end of the company's target debt to equity range of 20-75 per cent. Interest cover was at a favourable 13.5 times.

The dividend policy, which is to distribute approximately 50 per cent of the annual net profit, was maintained. The dividend reinvestment and bonus share plans remained suspended during the year in response to capital management initiatives, with the company not requiring to raise additional equity.

j) Sustainability Reporting and Corporate Governance Statement

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

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k) People

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

l) Board Matters

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

Following the resignation of independent director Stephen Pearce in January 2017 due to relocation to London, the Nominations committee reviewed the composition of the Board having regard to the skills, experience and diversity of Board members.

Taking this into account and following an extensive search, in August 2017, the Board announced the appointment of Jane Muirsmith, independent director, to the Board effective 2 October 2017. This appointment restores to parity the number of independent and non-independent directors on the Board and provides 33% female representation, which satisfies the company's diversity objective in that regard.

Mrs Muirsmith brings a range of skills and experience to the board, notably as a Fellow of the Institute of Chartered Accountants she has a strong audit and accounting background and a deep understanding of digital marketing strategies.

In July 2017 the board announced the retirement of long standing Managing Director Paul Sadleir who is stepping down in September, to be replaced by current Chief Operating Officer (COO) Nathan Blackburne. Succession planning had been underway for some time and the board was pleased to be able to recruit from within.

Mr Blackburne is well-known to our shareholders and business partners and, through the national COO role, is very familiar with all our projects. Mr Blackburne brings consistency to the position, as well as a fresh perspective with a strong focus on workplace culture, operations and performance.

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

m) Outlook

Cedar Woods is well positioned moving into FY2018 with strong pre-sales, low debt, substantial funding capacity and a diverse portfolio of well-located developments in Melbourne, Brisbane, Perth and Adelaide.

The development program for FY2018 will see the completion of a number of stages at new projects, including at *Jackson Green, St. A, Karmara, Millars Landing* and at *Williams Landing*.

The company anticipates that earnings will be skewed significantly to the second half of FY2018, however the first half profit is expected to exceed that recorded in the first half of FY2017.

At this early stage in the financial year, it is difficult to forecast the exact timing of settlements of pre-sales at a number of new projects which are subject to construction progress. These settlements are expected to commence late in FY2018 and continue into FY2019, and accordingly earnings guidance will be provided later in the financial year.

A number of new projects, including the Target office at *Williams Landing, Glenside, Port Adelaide* (both in South Australia), *Mangles Bay* and *Millars Landing* (both in Western Australia), provide a positive growth outlook for future financial years.



William Hames
Chairman



Paul Sadleir
Managing Director



The Brook at Byford, Western Australia

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Project Pipeline
as at 30 June 2017

PROJECT NAME	CORRIDOR / LOCATION	PROJECT TYPE	LOTS / UNITS PROJECT	LOTS / UNITS REMAIN
				(As of 30/6/17)
WESTERN AUSTRALIA - PERTH				
Mariners Cove	South	Residential Land	987	32
Ariella	North East	Residential Land	480	316
The Brook at Byford	South East	Residential Land	423	275
Rivergums Baldivis	South	Residential Land	1,414	430
Byford on the Scarp	South East	Residential Land	312	242
Karmara	South East	Residential Land	285	131
Forrestdale	South East	Residential Land	330	330
Bushmead	East	Residential Land	1,102	1,054
Millars Landing	South	Residential Land	1,580	1,580
Pinjarra	South	Residential Land	1,080	1,080
WESTERN AUSTRALIA - REGIONAL				
Elements South Hedland	Pilbara	Residential Land	136	15
WESTERN AUSTRALIA - "JV" PROJECTS				
Cedar Woods Wellard (Emerald Park)	South	Residential Land	665	105
Batavia Coast Marina Apartments	Mid-West	Apartments	54	25
Harrisdale Green	South East	Residential Land & Townhouses	506	308
Mangles Bay	South	Mixed Use	600	600
Western Edge	Pilbara	Residential Land	600	600
				7,123
VICTORIA - MELBOURNE				
Carlingford	North	Residential Land	649	136
Bonnie Brook	West	Residential Land	135	135
St Albans	North West	Townhouses	247	247
Jackson Green	South East	Townhouses & Apartments	450	450
Williams Landing	West	Residential Land/Townhouses/Apartments	2,418	549
Williams Landing	West	Target Head Office (12,919m^2)	1	1
Williams Landing	West	Oxford Apartments	103	103
Williams Landing	West	Lancaster Apartments	42	42
Williams Landing	West	111 Overton Road Strata Office	40	40
Williams Landing	West	Apartments	455	402
Williams Landing	West	Commercial (20 hectares)		
				2,105
QUEENSLAND - BRISBANE				
Wooloowin	Inner North	Townhouses & Apartments	279	279
Ellendale	North West	Residential Land	480	351
				630
SOUTH AUSTRALIA - ADELAIDE				
Glenside	Inner South East	Townhouses & Apartments	1,000	1,000
Port Adelaide (proposed)	North West	Townhouses & Apartments	500	500
				1,500
TOTAL GROUP				**11,358**

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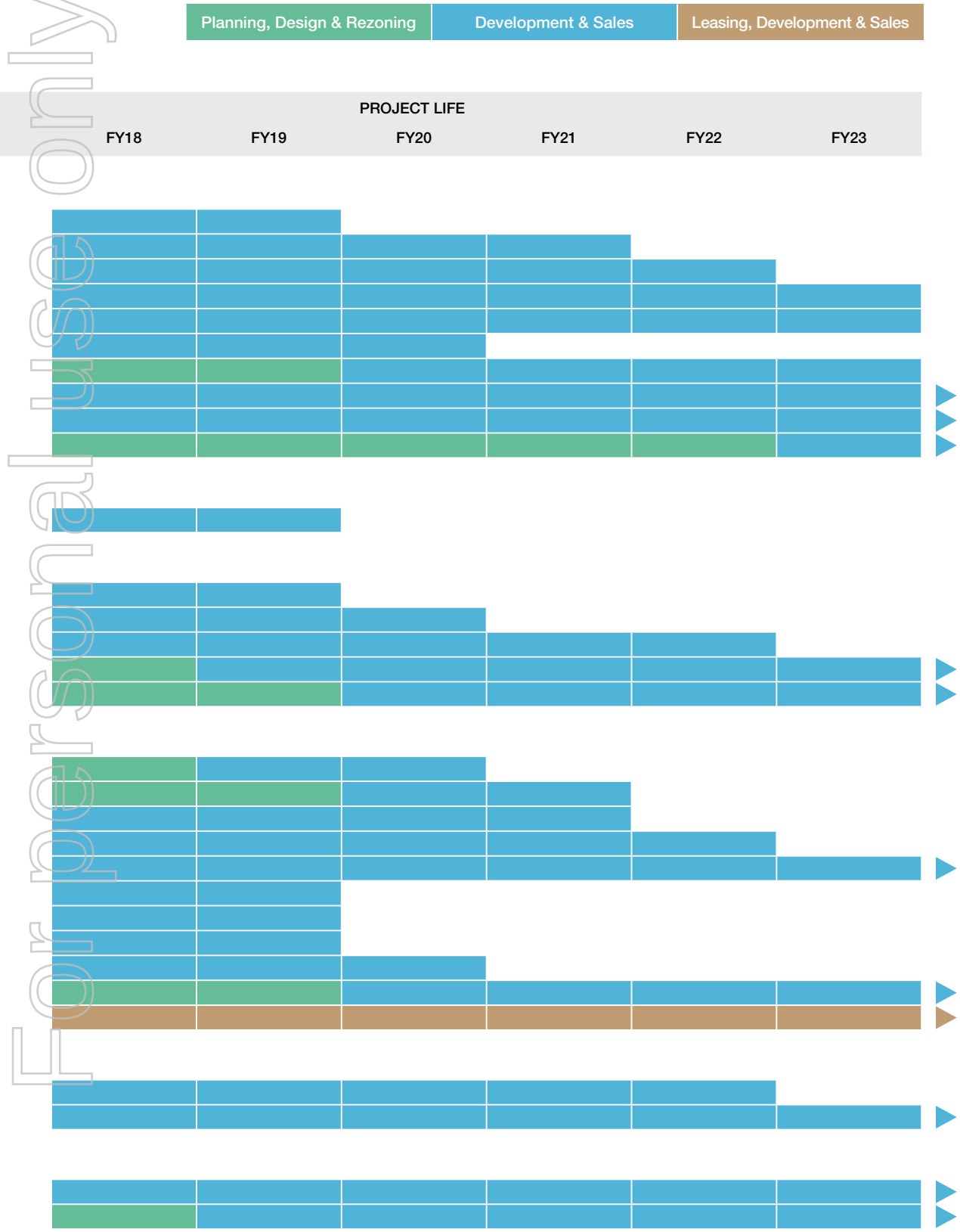

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Environmental and Social Governance

ESG Reporting

Cedar Woods operates to realise the full potential of its land development projects across the country to optimise returns to shareholders. Our commitment to sustainability, innovation and stakeholder partnerships underlays our development approach, in recognition of the direct impact our actions have on environment, economic and social outcomes.

Cedar Woods' projects make a significant contribution to the delivery of: affordable land supply; urban renewal and revitalisation; environmental enhancement; improved efficiency and optimal use of state infrastructure assets; support to local economies and job creation; diverse and vibrant communities; and lifestyle enhancement for those who choose to buy in a quality Cedar Woods estate.

This section provides an update on progress against targets and outcomes identified in the company's balanced scorecard reporting and allows us to communicate our sustainability achievements to our business, industry and stakeholder partners. It should be read in conjunction with Cedar Woods' annual Sustainability Report.

Sustainability Objective:

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

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

Cedar Woods continued to build on its track record of being an environmentally responsible developer.

Highlights and Achievements

- *Bushmead* is Cedar Woods first project to achieve the highest level '6 Leaf' accreditation under the Urban Institute of Australia's EnviroDevelopment accreditation tool. Initiatives include providing 187ha for conservation, revegetation of 38ha of formerly cleared or degraded land; and significant tree retention in the approved urban area.
- The *Ellendale* masterplan dedicates 40% (90 ha) of the site as a green-space corridor. It has received Federal, State and local government environmental approvals. The project is considered to result in overall environment enhancement, including restored habitat linkages, improved wildlife movement networks, including fauna underpasses, squirrel glider poles and nesting boxes and ecological buffers. In FY2017 the first 50 hectares of green space corridor land was dedicated to Council with significant revegetation completed to date and the first wildlife movement solutions installed.
- At *The Brook at Byford* the 'Forever Project' was launched, funded by the Water Corporation, to promote water wise design, undertaking verge makeovers and engaging with residents through workshops.

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

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

Highlights and Achievements

- With a train station, freeway interchange and retail amenity, *Williams Landing* is increasingly the focus of commercial investment, reflected by it becoming the future home to the Target head office. This landmark office project is one of many commercial sites providing a development pipeline for more than 10 years. *Williams Landing Town Centre* has the potential to accommodate more than 13,000 jobs and become a major commercial centre servicing the western corridor of Melbourne.

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The Rivergums, Western Australia



Bushmead, Western Australia



Ellendale, Queensland

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- *Ellendale* is one of three broad-acre development areas identified within the South East Queensland Regional Plan. It will optimise disused rural land by providing residential housing supply that compliments an established residential area, capitalising on existing transport and service infrastructure. Stage 1 was delivered over 2016/17.
- *Wooloowin* is adjacent to the train station and the future northern bikeway extension in keeping with Cedar Woods' history of delivering medium density housing projects in locations that are proximate to transport infrastructure.

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

Highlights and Achievements

- A number of initiatives have been initiated in Perth based land development projects, to increase density outcomes and create more affordable small home options.
- *Williams Landing* is providing housing diversity in the form of 1 and 2 bedroom apartments to accommodate a significant and growing proportion of 1 and 2 person households which are 40% of all homes in the municipality.
- Apartments at *Williams Landing* were priced from $269,000 making them very affordable in the Melbourne market.

Heritage - recognising Indigenous and cultural heritage.

Cedar Woods has continued to respect Indigenous and European cultural heritage across all of its project sites.

Highlights and Achievements

- *Wooloowin* will feature the adaptive reuse of the State listed former laundry building into a residential use and the locally listed former convent building will be adapted into a childcare centre. Additionally, the site's indigenous and European history will be acknowledged in a future heritage trail to be provided on the site.
- At *Bushmead*, the history of the site, being a former army rifle range has been respected through the naming of streets in the estate after Australian army bases.
- Completed in December 2016, Cedar Woods' Community Pavilion at *The Brook at Byford*, was inspired by the old agricultural sheds and the brick kilns of the Byford area. It celebrates the rich heritage of the Byford district through the simple gable roof form and the use of recycled bricks, galvanised steel and timber. The kiln chimney and wall ruins reference landmark structures that have been a distinctive part of the Byford landscape for over a century.
- *Williams Landing* continues to celebrate the aviation theme of the RAAF Williams Airbase with aviation inspired landscape and streets and buildings named after acclaimed RAAF aviators.

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

Highlights and Achievements

- Cedar Woods has established itself as a valued and trusted joint venture partner. The company's corporate objective is to reinforce these partnerships with 'professionalism, transparency and quality outcomes'. Current partnership projects include: *Harrisdale Green* (WA Department of Communities); *Mangles Bay* (Landcorp) and *Glenside* (Renewal SA).
- Active engagement strategies were undertaken for planning at *Ellendale* and *Wooloowin* with the advancement of planning approvals. At *Glenside* and *Port Adelaide* in South Australia, Cedar Woods undertook extensive community consultation in conjunction with Renewal SA to inform and help shape the projects' masterplans.

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

Highlights and Achievements

- The Perth International Arts Festival was the major corporate sponsorship focus again for Cedar Woods last year with an annual investment of $30,000. This sponsorship allows the Festival to deliver world-class performances to Western Australians and provides an opportunity for Cedar Woods to share the performances with investors, key stakeholders and staff.
- Cedar Woods Neighbourhood Cinemas were once again held across a number of our communities. *The Brook at Byford*, *Byford on the Scarp, Ariella*, *The Rivergums* and *Emerald Park* enjoyed family and neighbours coming together. The movie events were well attended and feedback was very positive.

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- Cedar Woods' commitment to creating vibrant sustainable urban communities has been a strong focus this year with the engagement of Creating Communities to assist with the establishment of community engagement initiatives for our *Bushmead* project. In addition, we have continued to support new, emerging and existing community groups with our Community Grants program at *Byford on the Scarp, The Brook at Byford, Piara Central, Harrisdale Green, The Rivergums* and *Williams Landing*. Over $70,000 of grants were awarded in FY2017.
- *The Rivergums* BMX pump track art project with the Baldivis Secondary College saw students applying graffiti style art around the pump track, encouraging the students to take ownership of the open space around their school.
- *Williams Landing* played host to a Food Truck Festival. The Festival was located adjacent to *Williams Landing Shopping Centre* and attracted around 30,000 visitors over a 4 day period.

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

Highlights and Achievements

- In FY2016 Cedar Woods adopted a new Work Health & Safety System (WHS) in order to prepare for the introduction of the Model Work Health and Safety Act as it is enacted across Australia to harmonise workplace Health and Safety law.
- All staff have been inducted and undergo regular training.
- OH&S plans are prepared for all construction projects, which are subject to independent audit.
- There have not been any WHS incidents of a significant nature on any Cedar Woods construction sites during FY2017.
- The WHS system is being further developed and enhanced to improve the management of construction sites by Cedar Woods contractors and consultants.



Newton Apartments, Williams Landing, Victoria

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Directors' Report

Your directors present their report on the consolidated entity consisting of Cedar Woods Properties Limited ('the company') and the entities it controlled (together 'the consolidated entity' or 'group') at the end of, or during, the year ended 30 June 2017.

a) Directors

The following persons were directors of Cedar Woods Properties Limited during the whole of the financial year and up to the date of this report, except where stated:

William George Hames (Chairman)

Robert Stanley Brown (Deputy Chairman)

Ronald Packer (Lead Independent Director)

Valerie Anne Davies (Independent Director)

Stephen Thomas Pearce (resigned 20 January 2017)

Paul Stephen Sadleir (Managing Director, retiring 18 September 2017)

Timothy Robert Brown (Alternate for R S Brown, resigned 11 August 2017)

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

b) Principal activities

The principal continuing activities of the consolidated entity in the course of the year ended 30 June 2017 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:

	2017 $'000	2016 $'000
Final fully franked ordinary dividend for the year ended 30 June 2016 of 16.5 cents (2015 – 16.0 cents) per fully paid share, paid on 28 October 2016 (2015 – 30 October 2015)	13,017	12,622
Interim fully franked ordinary dividend for the year ended 30 June 2017 of 12 cents (2016 – 12.0 cents) per fully paid share, paid on 28 April 2017 (2016 – 29 April 2016)	9,467	9,467
	22,484	**22,089**

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of $14,200,503 (18.0 cents per share) to be paid on 27 October 2017 out of retained earnings at 30 June 2017.

d) Financial and operating review

Information on the operations and financial position of the group and its business strategies and prospects is set out in the financial and operating review, commencing on page 8 of this annual report.

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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 FY2018 with strong pre-sales, low debt, substantial funding capacity and a diverse portfolio of well-located developments in Melbourne, Brisbane, Perth and Adelaide.

f) Significant changes in the state of affairs

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

g) Matters subsequent to the end of the financial year

On 2 July 2017 Cedar Woods settled on the acquisition of 11 hectares of land at Bonnie Brook, Victoria for a price of $4.2m plus GST. The Bonnie Brook site is located 30 kilometres north west of the Melbourne CBD and is anticipated to accommodate approximately 117 dwellings.

Other than the above, no matters or circumstances have arisen since 30 June 2017 that have significantly affected or may significantly affect:

a. the consolidated entity's operations in future financial years; or

b. the results of those operations in future financial years; or

c. the consolidated entity's state of affairs in future financial years.

h) Likely developments and expected results of operations

Beyond the comments at items (d) and (e), further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

i) Environmental regulation

To the best of the directors' knowledge, the group complies with the requirements of environmental legislation in respect of its developments, and obtains the planning approvals required prior to clearing or development of land under the laws of the relevant states. There have been no instances of non-compliance during the year and up to the date of this report.

j) Information on directors

Mr William G Hames, B Arch (Hons) MCU (Harvard) LFRAIA, MPIA, FAPI (Econ)

- Chairman of the Board of directors, non-executive director

Mr Hames is a co-founder of Cedar Woods Properties Limited. He is an architect and town planner by profession, and received a Masters Degree in City Planning and Urban Design from the Harvard Graduate School of Design, at Harvard University in Boston. He worked in the US property development market before returning to Australia in 1975 and establishing Hames Sharley Australia, an architectural and town planning consulting company. Mr Hames brings substantial property experience to the Board upon which he has served as a director for twenty-seven years.

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

None.

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Mr Robert S Brown, MAICD, AIFS

- Deputy Chairman of the Board of directors, non-executive director
- Member of the Audit and Risk Management Committee
- Member of the Human Resources and Remuneration Committee
- Member of the Nominations Committee

Mr Brown is Executive Chairman of Westland Group Holdings Pty Ltd, with responsibilities in mining, agribusiness, biotechnology and venture capital. He is a past president of the Federation of Building Societies of WA and has participated in and chaired various Western Australian government advisory committees related to the housing industry. Mr Brown brings to the Board his diversified experience as a director of these companies and other listed entities and has served as a director of Cedar Woods Properties Limited for twenty-nine years.

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

Luiri Gold Limited.

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

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

Mr Packer is the lead independent director of the Board, bringing a wide range of property experience in the public and private arena. He is the former Managing Director of PA Property Management Limited, the responsible entity for the PA Property Trust and is currently the Chairman of Terrace Properties and Investments Pty Ltd. Mr Packer has served as a director for eleven years and chairs all of the Board's committees.

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

None.

Ms Valerie A Davies, FAICD

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

Ms Davies is an experienced company director and leading communications advisor to numerous Tier 1 companies via her own consultancy, One.2.One Communications Pty Ltd, she has worked for nearly two decades on issues management and presentation skills delivery with senior corporate leaders across the spectrum of business and industry. She is a previous winner of the Telstra Business Woman of the Year (WA) Award.

Concurrently, Ms Davies has over the past 20 years established herself as one of Western Australia's leading non-executive directors. She serves on the boards of major entertainment, hospitality and leisure operator Event Hospitality & Entertainment Ltd as well as the HBF Health Fund and Tourism Western Australia. Previous non-executive director roles include global mineral sands resources company, Iluka Resources Limited and labour hire firm Integrated Group (now Programmed Maintenance Services). She has also held positions on the boards of government trading enterprises such as Tourism Australia, Gold Corporation and the TAB (WA), as well as Screenwest and Fremantle Hospital & Health Service. Beyond Ms Davies' day to day work, she has contributed to peak business groups such as the Australian Institute of Company Directors (AICD), where she was a Councillor and co-Vice President of the WA branch. Ms Davies is a non-executive, independent Director and has served on the board for two years.

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

Event Hospitality & Entertainment Ltd.

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

- Managing Director, executive director

Mr Sadleir has extensive experience in the property sector including strategic planning, portfolio management, acquisition analysis, equity and finance raising and investor relations management. Mr Sadleir holds Masters of Business Administration and Bachelor of Engineering degrees from the University of Western Australia. Prior to joining Cedar Woods, he was manager of the Bunnings Warehouse Property Trust and previously held roles with Wesfarmers Limited, Western Power and Barrack Mines. He is currently the Deputy Chairman of the Brightwater Care Group, one of the largest providers of residential aged care in Western Australia, a Division Councillor at the WA Division of the Australian Institute of Company Directors and a Senate member of Murdoch University. Mr Sadleir has served as a director for fourteen years.

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

None.

Company Secretary

The Company Secretary is Mr Paul S Freedman, BSc, CA, GAICD. Mr Freedman was appointed to the position in 1998. He is a member of the Institute of Chartered Accountants in Australia and is a member of the Australian Institute of Company Directors. He brings to the company a background of over twenty years in financial management in the property industry, preceded by employment in senior roles with major accountancy firms.

k) Shares issued on the exercise of options

No share options were in existence during the year and none have been issued up to the date of this report.

l) Directors' interests in shares

Directors' relevant interests in shares of Cedar Woods Properties Limited at the date of this report, as defined by sections 608 and 609 of the *Corporations Act 2001*, are as follows:

Director	Interest in ordinary shares
William G Hames	10,088,044
Robert S Brown*	7,982,584
Ronald Packer	167,859
Valerie A Davies	15,000
Paul S Sadleir	1,057,445

m) Committees of the Board

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

Audit and Risk Management Committee	Human Resources and Remuneration Committee	Nominations Committee
R Packer (Chairman)	R Packer (Chairman)	R Packer (Chairman)
R S Brown	R S Brown	R S Brown
V A Davies	V A Davies	V A Davies

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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 2017, and the numbers of meetings attended by each director:

	Board Meetings	Meetings of Committees		
		Audit and Risk Management	Human Resources and Remuneration	Nominations
Number of meetings held:	8	4	4	4
W G Hames	8	*	*	*
R S Brown	8	1	3	4
R Packer	8	4	4	4
S T Pearce	3	3	2	-
V A Davies	7	4	2	4
P S Sadleir	8	*	*	*
T Brown (alternate director)	-	-	-	-

* Not a member of this committee.

S T Pearce resigned on 20 January 2017 and attended all Board and Human Resources and Remuneration Committee meetings held up to that date.

R S Brown was appointed to the Audit and Risk Management Committee on 20 January 2017 and has attended all meetings held after that date.

V A Davies was appointed to the Nominations Committee and Human Resources & Remuneration Committee on 20 January 2017 and has attended all meetings held after that date.

Timothy Robert Brown (Alternate for R S Brown) resigned on 11 August 2017.

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

Dear Shareholders,

I am pleased to provide this letter setting out the key highlights in relation to remuneration matters for FY2017. The Financial and Operating Review notes that Cedar Woods had another successful year, reporting a record profit and achievements across the various areas within the company's operations, as described in our "balanced scorecard" in section r) of this report. The balanced scorecard provides the company's FY2017 objectives and performance against targets as assessed by the Board.

On 27th July we announced that our long standing Managing Director Paul Sadleir would be stepping down in September, to be replaced by current Chief Operating Officer Nathan Blackburne. Key details regarding Mr Blackburne's new remuneration package were included in that ASX release.

On 17 August we announced Mrs Jane Muirsmith would join the Board as an independent non executive director, effective 2 October 2017.

We continue to engage with shareholders and proxy advisory groups 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 2015 the company engaged EY to provide advice on Cedar Woods' executive remuneration framework with the objective of improving the link between shareholder returns and executive remuneration as well as a closer alignment of remuneration with the Corporate strategy. Aspects of the new executive remuneration framework applied from 1 July 2015 including transitioning to a greater emphasis on variable pay with the introduction of a new long-term incentive program (as outlined below).
Fixed remuneration	The company identified where adjustments were appropriate, based on market benchmarking information. For FY2017 the Managing Director's (MD's) fixed remuneration remained unchanged and other executives' in continuing roles had fixed remuneration increases of 2%. Nathan Blackburne and Patrick Archer were promoted during the year and their remuneration packages were 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 plan, the company continued with its balanced scorecard of measures for determining the STI awards for FY2017. Scorecard sections have been grouped into financial and non-financial categories.
Long-term incentives ("LTIs")	The LTI plan introduced in 2015 continues to operate and has two vesting conditions a) a 3 year service condition and b) two performance conditions measured over a 3 year period: 50 percent of the LTI grant will be tested against a relative total shareholder return ("TSR") hurdle (measured against the S&P / ASX Small Industrials Index) and 50 per cent against earnings per share ("EPS") growth targets, set in the context of the Corporate plan. The relative TSR performance condition was chosen as it offers a relevant indicator of measuring changes in shareholder value by comparing the company's return to shareholders against the returns of companies of a similar size and investment profile. The EPS performance condition was chosen as it is a primary determinant of shareholder value in a listed company context.

Non Executive Director ("NED") fees	The potential maximum aggregate NED remuneration for FY2017 was $750,000, as approved by shareholders at the company's FY2014 AGM. Chair and NED fees were increased by 2% effective 1 July 2016 to maintain market competitiveness. Total NED fees paid for FY2017 were $535,971.
Clawback policy	The company implemented an incentive clawback policy for executives and other staff that applies for FY2015 onwards. Under the policy, the Board may at its absolute discretion claw back vested and unvested incentives in the case where an "inappropriate benefit" has arisen, as may be the case in a material mis-statement of financial results.

The Remuneration Report provides information on Non Executive Directors and executives and the remuneration outcomes for FY2017.

It was pleasing to note that shareholders voted overwhelmingly in favour of the FY2016 Remuneration Report at the 2016 Annual General Meeting, with 98.2 per cent of votes in favour.

I look forward to answering any questions you may have at our 2017 Annual General Meeting in November.

Yours faithfully,



Ronald Packer
Chairman
Human Resources and Remuneration Committee

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Directors' Report:
Remuneration Report

The directors present Cedar Woods Properties Limited's FY2017 Remuneration Report which sets out remuneration information for the directors and other key management personnel ("KMP") for the year ended 30 June 2017.

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

The Remuneration Report is presented under the following sections:

		Page
o)	Introduction	30
p)	Remuneration governance	31
q)	Executive remuneration policy and framework	32
r)	Executive remuneration outcomes for FY2017 (including link to performance)	37
s)	Executive contracts	42
t)	Non-Executive Director fee arrangements	43
u)	Additional statutory disclosures	44

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 2017. Unless otherwise indicated, the individuals were KMP for the entire financial year. For the purposes of this report, the term "executive" includes the executive director and senior executives of the company.

KMP	Position	Term as KMP
Non-Executive directors ("NEDs")		
W G Hames	Non-Executive Chair	Full year
R S Brown	Non-Executive Deputy Chair	Full year
R Packer	Lead Independent Non-Executive Director	Full year
V A Davies	Independent Non-Executive Director	Full year
S T Pearce	Independent Non-Executive Director (resigned 20 January 2017)	Part year
Executive directors		
P S Sadleir	Managing Director ("MD")	Full year
Senior executives		
N J Blackburne	Chief Operating Officer ("COO") – promoted effective 1 September 2016	Full year
P Archer	State Manager - Victoria and South Australia – promoted effective 1 September 2016	Part year
P S Freedman	Chief Financial Officer ("CFO") and Company Secretary	Full year
B G Rosser	State Manager - Western Australia	Full year

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Changes since the end of the reporting period

P S Sadleir will retire from the position of MD with effect from 18 September 2017.

N Blackburne has been promoted to the position of MD with effect from 18 September 2017.

J Muirsmith was appointed as a Non-Executive Director commencing 2 October 2017.

p) Remuneration governance

Role of the Human Resources and Remuneration Committee

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

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

The Human Resources and Remuneration Committee's objective is to ensure remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company. The Human Resources and Remuneration Committee periodically obtains independent remuneration information to ensure NED fees and executive remuneration packages are appropriate and in line with the market, please refer to the *Use of remuneration advisors* section below.

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

Use of remuneration advisors

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

EY's terms of engagement included specific measures designed to protect its independence. The Human Resources and Remuneration Committee recognises that, to effectively perform its role, it is necessary for EY to interact with members of Cedar Woods' management. However, to ensure EY 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 Amendment (improving Accountability on Director and Executive Remuneration) Act 2011*.

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

Clawback of remuneration

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

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

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

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

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

Remuneration Report approval at FY2016 Annual General Meeting ("AGM")

At the company's 2016 AGM, 98.2 per cent of eligible votes cast were in favour of the Remuneration Report for FY2016.

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q) Executive remuneration policy and framework

The information contained within this section outlines the details pertaining to the executive remuneration policy and framework for FY2017. As noted, following a review of the executive remuneration program last year, changes have been initiated and applied from 1 July 2015. Where relevant, these changes have been highlighted.

i. Principles and strategy

Company objective

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

Remuneration strategy linkages to company objective

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

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

Attract, motivate and retain high performing individuals:

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

The framework is aligned to shareholders' interests by having:

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

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

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

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

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ii. Approach to setting remuneration

In FY2017, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below.

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

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

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

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

The graph below illustrates the current (FY2017) and anticipated remuneration mix by FY2019.

Managing Director - remuneration mix



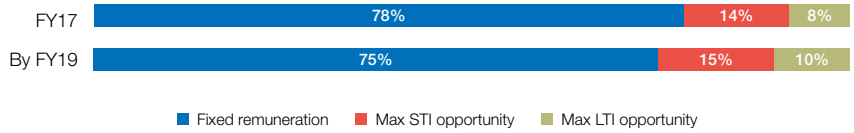
COO - remuneration mix



State Managers - remuneration mix



CFO and Company Secretary – remuneration mix



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

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iii. Details of incentive plans

Short-term incentives (STI)

Who participates?	Executives
How is the STI delivered?	Cash
What is the STI opportunity?	Each executive has a target STI opportunity depending on the accountabilities of the role and impact on organisational performance. The company seeks to deliver steady annual growth and accordingly the maximum STI opportunity is the target opportunity. The maximum STI opportunity for KMP's is detailed in section r) Executive remuneration outcomes.
What are the performance conditions for FY2017?	Actual STI payments to each executive depend on the extent to which specific targets set at the beginning of the financial year are met with regard to both company and individual performance criteria. The weightings that applied in FY2017 to components of the company's business model are set out in the table below:

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

Refer to section r) Executive remuneration outcomes for further details of performance outcomes for FY2017, and STI awards to KMP.
The categories of "Developments" and "Sales and customer experience" involve close monitoring of revenues and financial expenditure and together with "Financial performance and risk management" provide a significant weighting to overall financial performance.

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

Long-term incentives (LTI)

Previous LTI plan effective up to FY2015

The company operated a long term incentive plan, which first commenced in FY2012 with the final grants made in FY2015. The incentive was designed as a cash bonus opportunity that vests three years after award, based on company and individual performance criteria assessed in the first year and ongoing employment with the company for the remaining two years. The FY2015 LTI awards were based on the same criteria used for FY2015 STI awards, with KMP amounts detailed in section r) Executive remuneration outcomes.

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

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

Current LTI plan effective 1 July 2015

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

Why have a new LTI plan?	To encourage a greater alignment of the interests of executives and shareholders, focus on sustainable long term growth and attract and retain key executives.
Who participates?	Executives and key staff. NEDs are not eligible to participate in the LTI plan.
What LTI's are available?	Each executive has a maximum LTI opportunity depending on the accountabilities of the role and impact on organisational performance. It is intended for annual grants to be made under the plan and over time for these to become a larger proportion of total remuneration, so as to keep total remuneration in check. The maximum LTI for each KMP is detailed in section r) Executive remuneration outcomes.
How is the LTI delivered?	Awards under the LTI plan are made in the form of performance rights, which provide, when vested, one share at nil cost (provided the specified performance hurdle is met). No dividends are paid on unvested LTI awards. A new share will be issued for each vested performance right. At the discretion of the board the LTI awards may be satisfied in cash rather than shares by payment of the cash equivalent value.
How are the number of rights determined for each LTI grant?	The number of performance rights allocated for each executive is calculated by reference to the maximum LTI opportunity outlined in the prior section. Allocations are made based on a face value approach using the Volume Weighted Average Price of Cedar Woods' shares over the first five trading days of the 2017 financial year. This fixes the maximum number of shares and the actual number will vest in accordance with the performance conditions set out below.
When does the LTI vest?	The Board will determine the outcomes at the end of the three year performance period (1 July 2016 to 30 June 2019), with vesting, if any, occurring once results are released and within a trading window. Once vested, there are no restrictions on trading the shares, subject to the company's Securities Trading Policy.
What happens if an Executive leaves Cedar Woods?	If cessation of employment occurs, the following treatment will apply in respect of unvested Shares: • If the Participant ceases employment with Cedar Woods on resignation or on termination for cause, unvested Rights will normally be forfeited. • If the Participant ceases employment in other circumstances (for example, due to illness, total or permanent disablement, retirement, redundancy or other circumstances determined by the Board), unvested Shares will stay 'on foot' and may vest at the end of the original performance period to the extent performance conditions are met. The Board may determine in its discretion that the number of Rights available to vest will be reduced pro-rata for time at the date employment ceases. The Board will retain discretion to allow for accelerated vesting (pro-rated for performance and/or time) in special circumstances (as opposed to allowing unvested Shares to remain 'on foot' on cessation of employment).
What happens in the event of change of control	Unless the Board determines otherwise, a pro-rata number of the participant's unvested awards will vest based on the proportion of the performance period that has passed at the time of the change of control. Vesting will also be subject to the achievement of pro-rata performance conditions at the time of the change of control.
Do participants receive dividends on LTI grants?	Not prior to any vesting.
Is performance retested if performance hurdles are not exceeded?	No, there are no further retests of the performance conditions.
Do clawback provisions apply to LTI's?	The company has an incentive claw back policy in place for executives and other staff. Under the policy, the Board may at its absolute discretion claw back vested and unvested incentives in the case of an "inappropriate benefit" arising.

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How is performance assessed and rewarded against these hurdles?

The awards are subject to two equally weighted performance conditions which operate independently, so that awards can be made under either or both categories.

Relative TSR hurdle (50%): The relative TSR hurdle provides a comparison of external performance. The ASX Small Industrials Index is comprised of the companies included in the S&P/ASX 300 (excluding companies in the S&P/ASX 100) who have a Global Industry Classification Standard (GICS) classification other than Energy or Metals & Mining, with Cedar Woods ranked approximately 130th of 168 companies in this index at present. TSR (Total Shareholder Return) measures changes to share price and dividends paid to show the total return and is widely used in the investment community and is an appropriate hurdle 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 changes to business models and operations (e.g. Aveo, Devine & Port Bouvard).

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

The vesting schedule is as follows:

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

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

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

Where:

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

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

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

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

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

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r) Executive remuneration outcomes for FY2017 (including link to performance)

Performance against STI balanced scorecard objectives

The table below outlines FY2017 STI objectives and performance against target outcomes as assessed by the Board. This performance measurement framework provides a close alignment to the company's overriding objective of providing long term value to shareholders and links to our business model as described on page 7.

Objective	Measures	Outcomes	Performance assessment
FINANCIAL			
Developments			
Maximise value, minimize risk with project delivery on time and on budget	Timely approvals achieved	Approvals received for FY2017 programs, some delays experienced with approvals for future projects.	Achieved
	Enhanced value of sites	Approvals generally received in line with highest and best use applications. e.g. Anstey Road, Forrestdale.	Achieved
	Monthly reporting of actual vs budget development costs and program	Costs kept within budget. Delayed expenditure at several future projects due to project approvals behind schedule.	Partially achieved
Create quality communities which embrace innovation and sustainable development	Compliance with Corporate Sustainability Policy Innovation and quality in projects	Good environmental initiatives achieved across the projects e.g. Bushmead, Ellendale. Williams Landing & Banbury Village finalists in 2017 Property Council Awards.	Achieved
Sales and customer experience			
Position projects to meet market and customer demand	Settlements	Settlements achieved to meet company forecast	Achieved
	Sales	Budgeted sales not achieved, primarily due to weakness in WA market	Not achieved
	Enquiry & conversion rates	Enquiry levels exceeded budget.	Achieved
	Budget expenditure	Expenditure was kept within budget	Achieved
	Pricing	Pricing above budget in Victoria & Qld and in line with budget in WA	Achieved
	Customer satisfaction	Good levels of referral and high satisfaction levels at Newton apartments	Achieved
Financial performance and risk management			
Continued growth in a risk controlled manner	Growth in NPAT and EPS	NPAT up 4.2% and EPS up 4.2%, slightly below EPS target	Not achieved
	Satisfactory ROE and ROC	ROE 13.8% and ROC 16.5%, both above company benchmarks	Achieved
	Conservative gearing (debt/equity)	Gearing 24% at year end, at the lower end of the target range	Achieved
	Capital management	Corporate finance facility increased and extended on annual review	Achieved
	Risk management framework in place	Risks identified and mitigated. New WH&S system operating satisfactorily	Achieved

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Objective	Measures	Outcomes	Performance assessment
NON-FINANCIAL			
Business development			
To build and replenish the portfolio by acquiring quality assets	Undertake due diligence investigations for new acquisitions consistent with approved checklist and reporting measures in a thorough and disciplined manner	Detailed assessment of numerous properties in VIC and QLD and to a lesser extent WA and SA. Additional channels employed to locate opportunities.	Achieved
	Acquire 1-2 new complementary projects each year, consistent with the corporate growth strategy	New project secured in Bonnie Brook (Vic) and additional land acquired at Forrestdale, WA.	Achieved
Pursue joint venture opportunities	Respond to existing joint venture partners with professionalism, transparency and quality outcomes	Existing joint ventures (or development agreements) in WA with LandCorp (Mangles Bay & Western Edge) and Dept. of Housing (Harrisdale) all progressed.	Achieved
	Seek new joint venture opportunities to add to project diversity and corporate reputation	Joint ventures bids lodged on various projects, awaiting outcomes.	Achieved
Residential and commercial building	Establish strategic alliances to add value, product diversity and profitability	Builder alliances continuing with a focus on product innovation.	Achieved
People and culture			
Attract, motivate and retain staff	Be an employer of choice	Concerted efforts to attract and retain talented staff continue. Employee turnover has been low. The code of conduct & policies manual document has been refreshed and a Study Support Policy has been introduced. An employee engagement survey was conducted which reflected high levels of employee engagement.	Achieved
	Succession planning & leadership training	A number of staff received promotions during the year. An internally designed people manager development program was facilitated to current and future managers of people resources.	Achieved
	Staff productivity	Cost levels were consistent with the budget and corporate plan.	Achieved
	Staff development	Staff development continues to be a priority. Staff have undertaken numerous group and individual training programs. Staff are actively encouraged to attend industry events.	Achieved

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Objective	Measures	Outcomes	Performance assessment
Shareholder engagement and satisfaction			
Shareholders support the company	Participation in share issues	No share issues and dividend reinvestment plan and bonus share plans suspended.	N/A
	Company investor relations program	Regular roadshows and investor briefings held during the year and an institutional investor tour held in Brisbane kept the investment community informed.	Achieved
	Total shareholder return (TSR)	One year TSR satisfactory (CWP 29.7% - compared to Small Industrials index 7.9%). TSR for 3 years unsatisfactory (CWP -3.6% compared to Small Industrials index 9.2%). Five year TSR satisfactory (CWP 16.0% - compared to Small Industrials index 11.4%)	Achieved for 1 and 5 years, not for 3 years.
	Support for board resolutions	All resolutions supported by shareholders at 2016 AGM	Achieved
	Proxy advisors support board resolutions	Proxy advisor firms supported all resolutions at 2016 AGM	Achieved
Sustainability			
Environment & Climate Change; Optimising Land Use; Housing Diversity & Affordability; Heritage; Stakeholder Engagement; Community Investment, Development & Integration	Enhance and rehabilitate environmental assets and rehabilitate contamination as an integral part of project delivery	Strong performance continued in the delivery of local, state and federal environmental approvals.	Achieved
	Promote total water cycle management and efficient water use	Urban water management remains a focus, with 100% of projects meeting regulatory performance requirements.	Achieved
	Promote energy efficiency and use of renewables	The sustainability Living Guide was rolled out to new projects, such as Bushmead.	Achieved
	Deliver the best use of land by optimising land use mix and densities in the context of high quality urban places that deliver safe and healthy lifestyles	100% of projects achieve statutory density and landuse requirements.	Achieved
	Promote equality of access to housing for all sectors of the community through diversity of product and embracing opportunities to assist those disadvantaged by the market	Numerous projects adopted specific affordable housing strategies.	Achieved
	Recognising indigenous and cultural heritage	All projects with identified heritage values recognised those values through either building conservation and reuse, parkland themes and/or street naming.	Achieved
	Engage with key stakeholders throughout project delivery	Fostering strong stakeholder relationships remained a priority. Communication Strategies remain an effective guide to meaningful engagement in negotiating project approvals and delivery.	Achieved
	Create vibrant communities by investing in their wellbeing, nurturing a strong 'sense of community' and maximizing social connectivity	Sponsorship strategies were implemented at both corporate and project levels. The Perth International Arts Festival was the major corporate sponsorship focus again for Cedar Woods in the FY2017 financial year.	Achieved

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The following table outlines the proportion of maximum STI earned and forfeited in relation to FY2017 and the maximum STI that was available.

	Proportion of maximum STI earned in FY2017					Proportion of maximum STI forfeited in FY2017				
	MD	COO	State Manager VIC & SA	State Manager WA	CFO and Company Secretary	MD	COO	State Manager VIC & QLD	State Manager WA	CFO and Company Secretary
Total %	87%	85%	85%	80%	83%	13%	15%	15%	20%	17%
Total $	$346,000	$110,500	$67,600	$59,625	$58,100	$54,000	$19,500	$12,400	$15,375	$11,900
Max STI opportunity	$400,000	$130,000	$80,000	$75,000	$70,000					

Performance against LTI objectives

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

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

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

The following table outlines the proportion of maximum LTI that were granted to KMP during FY2017.

	LTI awards in FY2017				
	MD	COO	State Manager VIC & SA	CFO and Company Secretary	State Manager WA
Value granted (max LTI opportunity)	$126,000	$130,000	$80,000	$40,000	$50,000

The LTI awards earned vest on 31 August 2019 subject to the two vesting conditions.

Terms and conditions of the share-based payment arrangements

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

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

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 (Employees)	25/08/2016	1/7/16 to 30/6/19	31/08/2019	$4.35	EPS Growth Relative TSR	$4.29 $2.75	to be determined	n/a
FY2017 – Award 2 (MD)	10/11/2016	1/7/16 to 30/6/19	31/08/2019	$4.35	EPS Growth Relative TSR	$4.15 $2.87	to be determined	n/a

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The number of share rights granted to key management personnel under the LTI scheme during FY2017 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 FY2017 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 FY2017 ($4.35). The market value of the shares is not discounted.

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

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

Reconciliation of share rights held by KMP

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

Name & grant dates	Balance at start of year Number	Granted during year Number	Vested Number	Vested %	Forfeited Number	Forfeited %	Balance at end of year (unvested) Number	Maximum value yet to vest *
Executive director								
P S Sadleir 10 Nov 2016	-	28,965	-	-	-	-	28,965	$93,469
Senior executives								
N Blackburne 25 Aug 2016	-	29,885	-	-	-	-	29,885	$96,451
P Archer 25 Aug 2016	-	18,391	-	-	-	-	18,391	$59,355
P Freedman 25 Aug 2016	-	9,195	-	-	-	-	9,195	$29,676
B Rosser 25 Aug 2016	-	11,494	-	-	-	-	11,494	$37,096

* The LTI awards earned vest on 31 August 2019 subject to the two vesting conditions. The maximum value of the deferred shares yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed.

Performance of shareholder return metrics

In FY2017, the company delivered a record profit of $45.4 million, an increase of 4.2 per cent. This was the seventh consecutive record profit for the company.

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

Returns to shareholders over 1, 3 and 5 years (%)	1 year	3 years	5 years
EPS growth	4.2	1.9	1.6
Share price growth	19.8	(10.7)	7.9
Dividend growth (paid dividend)	1.8	1.8	4.4
CWP TSR (change in share price and dividends)	29.67	-3.56	16.0
S&P Small Industrials Index (XSIAI)	7.86	9.24	11.44

The total shareholder return in FY2017 was 29.67 per cent which compared favourably with the S&P Small Industrials Index total return of 7.86 per cent over the same period. Whilst the returns over 3 years did not compare favourably, the returns over 5 years compare favourably to the returns of the S&P Small Industrials Index. Management is focussed on delivering consistent earnings per share and dividend growth. The company's share price is subject to market factors that are beyond the company's control.

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

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	2017	2016	2015	2014	2013
Profit for the year ($'000)	45,445	43,602	42,585	40,313	36,337
Basic earnings per share (cents)	57.6	55.3	54.3	54.4	49.9
Dividends per share (cents)	30.0	28.5	28.0	27.5	26.0
Increase (decrease) in share price (%)	19.8	(17.3)	(28.0)	41.4	45.2

Executive remuneration for the years ended 30 June 2017 and 30 June 2016

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

		Short-term benefits			Post Employ-ment	Long-term benefits			
Name	Financial year	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Cash bonus $	Share based payment # $	Long-service leave $	Total $	Perfor-mance related %
Executive director										
P S Sadleir	**2017**	**765,198**	**346,000**	**7,151**	**33,699**	**-**	**17,085**	**13,338**	**1,182,471**	**31%**
	2016	762,383	328,000	9,434	33,699	-	9,423	13,375	1,156,314	29%
Senior executives										
N Blackburne *	**2017**	**410,384**	**110,500**	**6,813**	**19,616**	**-**	**23,555**	**11,942**	**582,810**	**23%**
	2016	390,692	88,000	8,411	19,308	-	12,944	9,074	528,429	19%
P Archer **	**2017**	**345,384**	**67,600**	**7,886**	**19,616**	**-**	**14,685**	**11,833**	**467,004**	**18%**
P S Freedman	**2017**	**348,520**	**58,100**	**1,098**	**35,000**	**-**	**6,559**	**8,656**	**457,933**	**14%**
	2016	341,000	57,400	1,075	35,000	-	6,472	9,410	450,357	14%
B G Rosser ***	**2017**	**260,884**	**59,625**	**-**	**19,616**	**-**	**8,199**	**1,552**	**349,876**	**19%**
	2016	255,727	54,750	-	19,273	-	8,090	495	338,335	19%
Total	**2017**	**2,130,370**	**641,825**	**22,948**	**127,547**	**-**	**70,083**	**47,321**	**3,040,094**	
	2016	1,749,802	528,150	18,920	107,280	-	36,929	32,354	2,473,435	

* N Blackburne was promoted from State Manager - Victoria and Queensland to Chief Operating Officer effective 1 September 2017.

** P Archer was promoted to the role of State Manager - Victoria and South Australia effective 1 September 2017 and joined the senior executive group on this date. Amounts shown above include P Archer's total FY2017 remuneration. P Archer's total remuneration of $467,004 disclosed above includes $77,834 relating to the period prior to joining the senior executive group.

*** The company appointed Ben Rosser as the Western Australian State Manager on 20 July 2015.

Equity-settled share-based payments relate to the component of the fair value of awards from the 2016 and 2017 LTI schemes attributable to the year measured in accordance with AASB 2 Share Based Payments. No awards vested in FY2017.

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

s) Executives contracts

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

Details of renegotiated executive service contract for the Managing Director

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

Mr Sadleir's total remuneration package for FY2017 was as follows:

- Fixed remuneration of $800,000 per annum
- Maximum STI opportunity of 30.2% of total remuneration
- Maximum LTI opportunity of 9.5% of total remuneration.

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Service agreements

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

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

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

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

Current Chief Operating Officer Nathan Blackburne will become the company's Managing Director on 18 September 2017. Details of Mr Blackburne's new remuneration package were included in the ASX release on 27 July 2017.

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

Remuneration of NEDs is determined by the Board, after receiving recommendations from the Human Resources and Remuneration Committee, within the maximum aggregate amount approved by the shareholders from time to time (currently set at $750,000). The total of NED fees paid in FY2017 was $535,971. The Board will not seek any increase for the NED maximum aggregate fee pool at the FY2017 AGM.

Fee policy

NEDs' annual fees were last reviewed from FY2017 (effective date: 1 July 2016).

The annual fees (inclusive of superannuation) for FY2017 and FY2016 are set out in the table below:

	FY2017 $	FY2016 $
Chair	157,800	154,734
Deputy Chair	121,600	119,187
Other NEDs	85,300	83,640
Committee Chair	12,800	12,546
Committee member	Nil	Nil

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NED remuneration for the years ended 30 June 2017 and 30 June 2016

The table below outlines fees paid to NEDs for FY2017 and FY2016 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	**2017**	**144,110**	**13,690**	**157,800**
	2016	141,310	13,424	154,734
R S Brown	**2017**	**111,050**	**10,550**	**121,600**
	2016	108,847	10,340	119,187
R Packer	**2017**	**90,002**	**33,698**	**123,700**
	2016	87,831	33,447	121,278
S T Pearce*	**2017**	**43,444**	**4,127**	**47,571**
	2016	76,384	7,256	83,640
V A Davies **	**2017**	**77,900**	**7,400**	**85,300**
	2016	59,966	5,697	65,663
Total	**2017**	**466,506**	**69,465**	**535,971**
	2016	474,338	70,164	544,502

* Mr S T Pearce resigned effective on 20 January 2017.

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

u) Additional statutory disclosures

Equity instrument disclosures relating to KMP

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

2017	Number of shares at the start of the year	Other changes during the year	Number of shares at the end of the year
NEDs			
W G Hames†	10,195,091	0	10,195,091
RS Brown*	7,985,584	0	7,985,584
R Packer	167,859	0	167,859
S T Pearce	20,000	0	20,000
V A Davies	15,000	0	15,000
T S Brown (alternate for R S Brown)*	4,596,980	0	4,596,980
Executive directors			
P S Sadleir	1,091,529	0	1,091,529
Senior executives			
P S Freedman	105,912	0	105,912
N J Blackburne	25,639	0	25,639
P Archer	20,262	0	20,262
B G Rosser	0	0	0

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2016	Number of shares at the start of the year	Other changes during the year	Number of shares at the end of the year
NEDs			
W G Hames†	10,082,559	112,532	10,195,091
RS Brown*	7,985,584	0	7,985,584
R Packer	167,859	0	167,859
S T Pearce	15,000	5,000	20,000
V A Davies	0	15,000	15,000
T S Brown (alternate for R S Brown)*	4,596,980	0	4,596,980
Executive directors			
P S Sadleir	1,049,529	42,000	1,091,529
Senior executives			
P S Freedman	105,912	0	105,912
N J Blackburne	18,303	7,336	25,639
B G Rosser	0	0	0

† Includes 2,014,439 (2016 – 2,014,439) shares over which W G Hames has voting rights and a first right of refusal to purchase.

*Interest of T R Brown relates to shares also shown under R S Brown.

The interests shown above comply with AASB124 Related Party Disclosures and differ to those shown at item l) of the directors' report which comply with the requirements of sections 608 and 609 of the *Corporations Act 2001*. The table above includes the shares held by related parties of the KMP.

Other transactions with key management personnel

The consolidated entity uses a number of firms for architectural, urban design and planning services, creative design services and settlement services and the use of these services increased significantly in FY2017 as a result of the higher levels of development activity across the group. Accordingly the company has a high level of knowledge regarding commercial rates for these services.

Where entities related to directors are able to fulfil the requisite criteria to provide the services at competitive rates, they may be engaged by the company to perform the services. Should entities connected with the directors be engaged, the directors declare their interests in those dealings and take no part in decisions relating to them.

During the year planning, architectural and consulting services were provided by Hames Sharley Architects of which Mr W G Hames is a principal. The transactions were performed on normal commercial terms and conditions and fees paid were consistent with market rates. The value of services provided was higher than in the previous year as a result of architectural and design work performed on the *Williams Landing Shopping Centre* and the major start-up phase of the *Glenside* project in Adelaide. The *Glenside* project was introduced to the company by Hames Sharley.

During the year creative design services were provided by Axiom Design, an entity associated with the family of Mr W G Hames. Mr Hames has no beneficial interest in Axiom Design. The services were performed on normal commercial terms and conditions and the level of services decreased compared with 2016.

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 FY2017 was higher than that of the previous year and as a result the value of transactions with Westland Settlement Services Pty Ltd increased. Across the group, settlements and associated fees were also significantly higher.

Cedar Woods has for many years been a member of the Australian Institute of Company Directors (AICD). During the 2015 year Mr P S Sadleir became a council member of AICD WA. The annual subscriptions paid in 2017 and 2016 were performed on normal commercial terms and conditions.

In 2017 no payments were made for sponsorship of the Warren Jones Foundation Inc. of which Mr R Packer is a trustee with no beneficial interest.

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

	2017 $	2016 $
Amounts recognised as expense		
Creative design services	31,001	62,323
Architectural fees	5,000	24,500
Settlement fees	107,450	78,355
Subscriptions	10,000	10,000
Sponsorships	0	9,500
	153,451	184,678
Amounts recognised as inventory / investment property		
Architectural fees	455,468	153,995
	455,468	153,995
Total amounts recognised in year	**608,919**	**338,673**
Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Cedar Woods Properties Limited or their related entities:		
Inventory	445,668	90,020
Investment property	9,800	63,975
	455,468	**153,995**

There are no aggregate amounts payable to directors of Cedar Woods Properties Limited at balance date. An amount of $1,501 was payable to related entities (Axiom Deisgn) at balance date. There are no other amounts payable to related entities at balance date relating to the above types of other transactions.

At 30 June 2017, an amount of $11,217 was outstanding on a loan to a key management personnel employee issued under the former employee share plan. Under the now discontinued plan, certain employees were granted shares funded by interest free loans from the company and with the loans repaid by dividends. This employee was not a member of key management personnel in 2016. There are no other amounts owing from related entities at balance date.

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v) Independent audit of remuneration report

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

w) Retirement, election and continuation in office of directors

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

x) Insurance of officers

During the financial year, Cedar Woods Properties Limited paid a premium in respect of directors' and officers' liabilities that indemnifies certain officers of the company and its controlled entities. The officers of the company covered by the insurance policy include the directors and the Company Secretary. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company and its controlled entities. The directors have not included more specific details of the nature of the liabilities covered or the amount of the premium paid in respect of the policy, as such disclosure is prohibited under the terms of the contract.

y) Non-audit services

The group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in note 36 in the other information section of this report.

The Board of directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

z) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* forms part of this directors' report and is set out on page 48.

aa) Rounding of amounts

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

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



P S Sadleir
Managing Director

21 August 2017

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Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Cedar Woods Properties Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cedar Woods Properties Limited and the entities it controlled during the period.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
21 August 2017

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Financial Statements

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

The financial statements are presented in the Australian currency.

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

Its registered office and principal place of business is:

Ground Floor,
50 Colin Street
WEST PERTH WA 6005.

The financial statements were authorised for issue by the directors on 21 August 2017. The directors have the power to amend and reissue the financial statements.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Revenue from operations			
Sale of land and buildings		210,165	169,181
Development services		6,611	787
Rent from properties		4,555	3,892
Interest revenue		938	1,299
		222,269	**175,159**
Other Income		**127**	**76**
Expenses			
Cost of sales of land and buildings		(114,457)	(79,186)
Cost of providing development services		(5,332)	(71)
Other expenses from ordinary activities:			
Project operating costs		(16,929)	(13,440)
Occupancy		(694)	(597)
Administration		(16,133)	(14,483)
Other	1	(1,514)	(1,912)
Finance costs	1	(2,947)	(3,755)
Share of net profit of joint ventures accounted for using the equity method	31a	109	41
Profit before income tax		**64,499**	**61,832**
Income tax expense	2	(19,054)	(18,230)
Profit for the year	20 & 3	**45,445**	**43,602**
Total comprehensive income for the year		**45,445**	**43,602**
Total comprehensive income attributable to members of Cedar Woods Properties Limited		**45,445**	**43,602**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	3	57.6 cents	55.3 cents
Diluted earnings per share	3	57.4 cents	55.2 cents

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

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Consolidated Balance Sheet

As at 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	8,400	1,697
Trade and other receivables	5	5,882	8,374
Inventories	6	95,145	55,644
Deferred development costs	7	831	6,535
Total current assets		**110,258**	**72,250**
Non-current assets			
Receivables	5	16	6,890
Inventories	6	326,969	311,542
Deferred development costs	7	14,893	11,836
Investments accounted for using the equity method	8	4,125	4,016
Property, plant and equipment	9	5,122	4,080
Investment properties	10	43,425	41,542
Lease incentives	11	816	573
Total non-current assets		**395,366**	**380,479**
Total assets		**505,624**	**452,729**
LIABILITIES			
Current liabilities			
Trade and other payables	12	24,175	13,497
Other financial liabilities	15	4,065	27,446
Current tax liabilities		9,701	6,070
Provisions	16	9,330	7,125
Total current liabilities		**47,271**	**54,138**
Non-current liabilities			
Borrowings	13	87,340	52,041
Derivative financial instruments	14	407	728
Other financial liabilities	15	37,412	34,086
Provisions	16	73	271
Deferred tax liabilities	17	2,887	4,277
Total non-current liabilities		**128,119**	**91,403**
Total liabilities		**175,390**	**145,541**
Net assets		**330,234**	**307,188**
EQUITY			
Contributed equity	18	119,525	119,525
Reserves	19	210	159
Retained profits	20	210,499	187,504
Total equity		**330,234**	**307,188**

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

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2017

Consolidated	Note	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000
Balance at 1 July 2015		**119,525**	**186**	**165,894**	**285,605**
Profit for the year		-	-	43,602	43,602
Total comprehensive income for the year		**-**	**-**	**43,602**	**43,602**
Transactions with owners in their capacity as owners:					
Transfers from reserves to retained profits		-	(97)	97	-
Dividends provided for or paid	26	-	-	(22,089)	(22,089)
Employee share plan reserve	19	-	70	-	70
		-	(27)	(21,992)	(22,019)
Balance at 30 June 2016		**119,525**	**159**	**187,504**	**307,188**
Balance at 1 July 2016		**119,525**	**159**	**187,504**	**307,188**
Profit for the year		-	-	45,445	45,445
Total comprehensive income for the year		**-**	**-**	**45,445**	**45,445**
Transactions with owners in their capacity as owners:					
Transfers from reserves to retained profits		-	(34)	34	-
Dividends provided for or paid	26	-	-	(22,484)	(22,484)
Employee share plan reserve	19	-	85	-	85
		-	51	(22,450)	(22,399)
Balance at 30 June 2017		**119,525**	**210**	**210,499**	**330,234**

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

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Consolidated Cash Flow Statement

For the Year Ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Receipts from customers (incl. GST)		239,677	190,846
Payments to suppliers and employees (incl. GST)		(56,175)	(51,468)
Payments for land and development		(161,588)	(112,887)
Interest received		363	516
Borrowing costs paid		(4,860)	(3,941)
Income taxes paid		(16,812)	(18,799)
Net cash inflows from operating activities	22	605	4,267
Cash flows from investing activities			
Repayments of loan by joint ventures		-	1,108
Cash acquired in business combinations		66	-
Payments for investment properties		(4,762)	(3,656)
Payments for property, plant and equipment		(1,895)	(2,052)
Net cash outflows from investing activities		(6,591)	(4,600)
Cash flows from financing activities			
Proceeds from borrowings		35,167	44,708
Repayment of borrowings		-	(22,481)
Dividends paid	26	(22,478)	(22,083)
Net cash inflows from financing activities		12,689	144
Net increase (decrease) in cash and cash equivalents		6,703	(189)
Cash and cash equivalents at the beginning of the year		1,697	1,886
Cash and cash equivalents at the end of the year	4	**8,400**	**1,697**

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

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Notes to the Financial Statements

These are the consolidated financial statements of Cedar Woods Properties Limited and its subsidiaries. A list of major subsidiaries is included in note 28.

The notes are set out in the following main sections:

A Key numbers:

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

B Financial risks:

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

C Group structure:

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

D Unrecognised items:

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

E Other information:

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

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Section A: Key Numbers

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

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Profit or Loss Information

1. Expense items

Profit before income tax expense includes the following specific expenses:

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
Finance costs			
Interest and finance charges		4,872	3,861
Interest – other financial liabilities		2,857	2,564
Unrealised financial instrument (gains) losses		(321)	660
Less: amount capitalised	a	(4,461)	(3,330)
Finance costs expensed		**2,947**	**3,755**

a. Capitalised borrowing costs

Where qualifying assets have been financed by the entity's corporate facility, the capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's corporate facility during the year, in this case 3.28% (2016 – 3.68%) per annum. Where qualifying assets are financed by specific facilities, the applicable borrowing costs of those facilities are capitalised.

		Consolidated 2017 $'000	Consolidated 2016 $'000
Net loss on disposal of property, plant and equipment		295	2
Rental expense relating to operating leases			
Minimum lease payments		826	696
Provision for customer rebates	16a	4,631	1,647
Provision for impairment of trade receivables	5	191	348
Superannuation		895	809
Depreciation of property, plant and equipment	9	678	458
Depreciation of investment properties	10	1,083	996
Employee benefits expense		10,753	9,743
Other			
Write-down of inventory		1,336	-
Impairment of available for sale financial assets: units in the BCM Apartment Trust		-	1,029
Impairment of loan to the BCM Apartment Trust	5	-	449
Impairment of lease incentives and capitalised lease costs	10	178	434
		1,514	**1,912**

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2. 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.

a. *Income tax expense*

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
Current tax		20,744	16,511
Deferred tax		(1,390)	2,041
Adjustments for current tax of prior periods		(300)	(322)
Income tax expense attributable to profit		**19,054**	**18,230**
Deferred income tax expense (revenue) included in income tax expense comprises:			
(Increase) in deferred tax assets	17	(1,323)	(35)
(Decrease) increase in deferred tax liabilities	17	(67)	2,076
		(1,390)	**2,041**

b. *Numerical reconciliation of income tax expense to prima facie tax payable*

	Consolidated 2017 $'000	Consolidated 2016 $'000
Profit before income tax	64,499	61,832
Tax at the Australian tax rate of 30% (2016 – 30%)	19,350	18,550
Tax effect of amounts which are not deductible in calculating taxable income:		
- Share of net profit of joint venture	(34)	(13)
- Sundry items	38	15
	4	2
Adjustments for current tax of prior periods:		
- Research and development	(300)	(322)
	(300)	(322)
Income tax expense	19,054	18,230

3. Earnings per share

	2017	2016
Basic earnings per share (cents)	57.6	55.3
Diluted earnings per share (cents)	57.4	55.2
Net profit attributable to the ordinary owners of the company ($'000)	45,445	43,602
Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share	78,891,681	78,891,681
Weighted average number of ordinary shares used as the denominator in the calculation of diluted earnings per share	79,110,619	78,966,990

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

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Balance Sheet Information

4. Cash and cash equivalents

	Consolidated	
	2017 $'000	2016 $'000
Cash at bank and in hand	8,400	1,697
	8,400	1,697

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

Cash at bank includes cash held in day to day bank transaction accounts and deposit accounts earning interest from 0 to 2.1% (2016: 0 – 2.3%) per annum depending on the balances.

The Group's exposure to interest rate risk is discussed in note 24. 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.

5. Trade and other receivables

		Consolidated	
	Notes	2017 $'000	2016 $'000
Current			
Trade receivables	a & b	4,201	2,213
Provision for impairment	a & b	(191)	(348)
Other receivables	a & b	278	2,578
Loan to BCM Apartment Trust (Secured)	c	-	1,998
Prepayments		1,594	1,933
		5,882	8,374
Non-Current			
Loans to BCM Apartment Trust (Secured)	c	-	7,317
Provision for impairment	c	-	(449)
Loans – employee share scheme (discontinued)	36	16	22
		16	6,890

a. Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The group's impairment and other accounting policies for trade and other receivables are outlined in note 38(k) and 38(y).

b. Current trade and other receivables

Current trade and other receivables include interest and non-interest bearing receivables (see note 24. Financial risk management). Trade receivables are initially recorded at fair value and subsequently carried at amortised cost. A provision for impaired trade receivables of $191,000 was in place at 30 June 2017 (2016 – $348,000) for Williams Landing Shopping Centre rental that is past due, where there is low probability of recovery in full. Other receivables include GST receivable in relation to the payment of Other financial liabilities - Current in note 15.

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

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

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c. Secured loan to BCM Apartment Trust

On 31 January 2017 changes to the board of Champion Bay Nominees Pty Ltd, the trustee of the BCM Apartment Trust, resulted in Cedar Woods Properties Limited obtaining management control of Champion Bay Nominees Pty Ltd and thus BCM Apartment Trust. The operating results and assets and liabilities of BCM Apartment Trust have thus been consolidated into the accounts of Cedar Woods Properties Limited from that date and transactions and balances between the two parties eliminated on consolidation. Refer to note 27 for details.

In the year ended 30 June 2017, finance facilities continued to be provided by Cedar Woods Properties Limited to BCM Apartment Trust, secured over all of the apartments in the Batavia Coast Marina Apartments development, however these balances have been eliminated on consolidation. The interest rate on these facilities is BBSY plus 4.5% per annum.

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

6. Inventories

		Consolidated	
	Notes	2017 $'000	2016 $'000
Total Inventory			
Current inventory	a & b	95,145	55,644
Non-current inventory	a & b	326,969	311,542
Aggregate carrying amount		422,114	367,186

	Consolidated	
	2017 $'000	2016 $'000
Current		
Property held for resale		
- land at cost	38,061	9,433
- at valuation 30 June 1992	11	87
- capitalised development costs	57,073	46,124
	95,145	55,644

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

	Consolidated	
	2017 $'000	2016 $'000
Non-Current		
Property held for resale		
- land at cost	251,055	251,330
- at valuation 30 June 1992	91	74
- capitalised development costs	70,666	54,994
- at net realisable value	5,157	5,144
	326,969	311,542

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

a. Current and non-current assets pledged as security

Refer to note 13 for information on current assets pledged as security by the parent entity or its controlled entities.

b. Accounting for inventory

Refer to note 38(g) for the recognition and classification of inventory.

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7. Deferred development costs

	Consolidated 2017 $'000	Consolidated 2016 $'000
Current		
Deferred development costs	831	6,535
	831	6,535
Non-Current		
Deferred development costs	14,893	11,836
	14,893	11,836

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.

8. Investments accounted for using the equity method

	Consolidated 2017 $'000	Consolidated 2016 $'000
Unlisted securities		
Shares in joint ventures	4,125	4,016

a. Cedar Woods Wellard Limited

The consolidated entity owns a 32.5% (2016: 32.5%) interest in Cedar Woods Wellard Limited, a property development company incorporated in Australia. Refer to note 29.

b. BCM Apartment Trust

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

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

The company's interest in the BCM Apartment Trust and Champion Bay Nominees Pty Ltd were accounted for as investments accounted for using the equity method during 30 June 2016. As a result of a change in control of Champion Bay Nominees Pty Ltd in the year ended 30 June 2017, these entities were consolidated in the accounts of Cedar Woods Properties Limited at 30 June 2017. Refer to note 27 for details.

9. Property, plant and equipment

	Consolidated 2017 $'000	Consolidated 2016 $'000
Plant and Equipment at Cost		
At start of the year	6,634	4,586
Consolidation of subsidiary	195	-
Additions	1,896	2,052
Assets disposed	(1,489)	(4)
At end of the year	7,236	6,634
Accumulated depreciation on Plant and Equipment		
At start of the year	2,554	2,107
Consolidation of subsidiary	40	-
Charge for year	678	458
Assets disposed	(1,158)	(11)
At end of the year	2,114	2,554
Net book value	5,122	4,080

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a. Non-current assets pledged as security

Refer to note 13 for information on non-current assets pledged as security by the parent entity or its controlled entities.

10. Investment properties

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
Non-current assets – at cost			
Opening balance at the start of the year		41,542	37,982
Capitalised expenditure		2,998	4,631
Depreciation		(1,083)	(996)
Impairment of capitalised lease costs		(32)	(75)
Closing balance at the end of the year		43,425	41,542
Represented by:			
Property under construction	a	-	4,547
Completed investment property		43,425	36,995
Closing balance at the end of the year		43,425	41,542

a. Investment properties under construction

For investment properties that are under construction at 30 June 2017 depreciation has not yet commenced.

b. Amounts recognised in profit or loss for investment properties

	Consolidated 2017 $'000	Consolidated 2016 $'000
Rental income	4,005	3,627
Direct operating expenses from property that generated rental income	(3,079)	(2,709)
Impairment of lease incentives and capitalised lease costs	(178)	(434)

c. Fair value of investment property

The fair value of the Williams Landing Shopping Centre which makes up completed investment property at 30 June 2017 is $66.5m (2016 - $58.0m) exclusive of GST, based on an independent valuation. This includes land surrounding the shopping centre for future development which is on the same title and adding subsequent development.

d. Leasing arrangements

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Within one year	3,453	3,308
Later than one year but not later than 5 years	12,834	13,402
Later than 5 years	25,681	30,566
	41,968	47,276

e. Non-current assets pledged as security

Refer to note 13 for information on non-current assets pledged as security by the parent entity or its controlled entities.

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11. Leasing incentives

	Consolidated	
	2017 $'000	2016 $'000
Lease incentives	1,665	1,118
Amortisation of lease incentives	(344)	(186)
Impairment of lease incentives	(505)	(359)
	816	573

a. Non-current assets pledged as security

Refer to note 13 for information on non-current assets pledged as security by the parent entity or its controlled entities.

12. Trade and other payables

	Consolidated	
	2017 $'000	2016 $'000
Trade payables	9,885	7,053
Accruals	9,670	3,853
GST payable	3,839	2,256
Other payables	781	335
	24,175	13,497

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.

13. Borrowings

	Consolidated	
	2017 $'000	2016 $'000
Non-Current		
Bank loans – secured (Corporate facilities)	58,400	26,400
Bank loan – secured (Williams Landing Shopping Centre facility)	29,193	25,909
Facility fees capitalised (amortised over the period of facility)	(429)	(558)
Amortisation of facility fees	176	290
	87,340	52,041

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

a. Security for borrowings

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

Bank loans of $29,200,000 provided by ANZ Bank (2016 - $13,200,000) and $29,200,000 provided by Commonwealth Bank trading as Bankwest (2016 - $13,200,000) are secured by first registered mortgages over some of the consolidated entity's land holdings, and first registered charges, guarantees and indemnities provided by Cedar Woods Properties Limited and applicable subsidiary entities. Cedar Woods Properties Limited has provided first registered charges over its assets and undertakings in relation to the corporate loan facility (see below).

The Williams Landing Shopping Centre facility is secured by a first registered mortgage over the Williams Landing Shopping Centre disclosed in investment properties at note 10.

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b. Financing arrangements

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

	Consolidated	
	2017 $'000	2016 $'000
Corporate facilities		
Total facilities (loan and guarantees)	175,000	135,000
Used at balance date	73,838	40,545
Unused at balance date	101,162	94,455
Williams Landing Shopping Centre facility		
Total facility	30,000	30,000
Used at balance date	29,193	25,909
Unused at balance date	807	4,091
Total Facilities	205,000	165,000
Used at balance date	103,031	66,454
Unused at balance date	101,969	98,546

The consolidated entity has total corporate finance facilities of $175,000,000 (2016 - $135,000,000), with $87,500,000 (2016 - $67,500,000) each provided by ANZ Bank and Commonwealth Bank trading as Bankwest. The facilities expire on 30 November 2019. The conditions of the facilities impose certain covenants including the consolidated entity's revenue, interest cover and loan-to-valuation ratio. The corporate facilities provide funding for the consolidated entity's existing operations, ongoing development and future acquisitions. The funding structure has been set up as a club facility with a security trustee, providing the flexibility for other banks to enter, should the group's requirements grow and more lenders are required. The interest on the corporate loan facilities is variable and at 30 June 2017 was an average rate of 3.04% per annum (2016 - 3.28%).

The corporate facilities include bank guarantee facilities of $20,500,000 (2016 - $18,000,000) subject to similar terms and conditions, which were drawn to a total amount of $15,438,000 at 30 June 2017 (2016 - $14,145,000).

The consolidated entity has a facility of $30,000,000 (2016 - $30,000,000) in place for the Williams Landing Shopping Centre provided by Commonwealth Bank trading as Bankwest. The conditions of the facility impose certain covenants including loan-to-valuation ratio and interest cover ratio. The facility extends to February 2019. The interest on the Williams Landing Shopping Centre loan facility is variable and at 30 June 2017 was an average rate of 2.97% (2016 - 3.20%) per annum.

Details of the group's exposure to risk arising from current and non-current borrowings are set out in note 24. Financial risk management.

14. Derivative financial instruments

	Consolidated	
	2017 $'000	2016 $'000
Non-current liabilities		
Interest rate swap contracts	407	728
	407	728

a. 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.

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Interest rate swap contracts

The bank loans currently bear an average variable interest rate of 3.04% per annum (2016 – 3.28% per annum). It is the group's policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly the consolidated entity has entered into interest rate swap contracts under which part of the consolidated entity's projected borrowings are protected for the period from 1 July 2017 to 30 June 2020.

The swaps effectively fix interest rates applicable to bank bills issued with a duration of 1 month (BBSY Bid) at certain levels between 2.070% - 2.495% per annum (2016 – 2.255% - 2.495% per annum). Swaps currently in place cover approximately 63% (2016 – 57%) of the variable loans outstanding at balance date, with terms expiring in 2019 and 2020. The group is not applying hedge accounting to these derivatives. The gain or loss from re-measuring the derivative financial instruments at fair value is recognised in profit or loss.

15. Other financial liabilities

	Consolidated	
	2017 $'000	**2016 $'000**
Current		
Due to vendors of properties under contracts of sale	4,065	27,446
	4,065	27,446
Non-Current		
Due to vendors of properties under contract of sale	36,188	34,086
Other payables	1,224	-
	37,412	34,086

16. Provisions

		Consolidated	
	Notes	**2017 $'000**	**2016 $'000**
Current			
Employee benefits		1,415	1,316
Customer rebates	a	7,915	5,809
		9,330	7,125

	Consolidated	
	2017 $'000	**2016 $'000**
Non-current		
Employee benefits	73	271
	73	271

a. Movements in customer rebate provisions

	Consolidated	
	2017 $'000	**2016 $'000**
Carrying amount at start of year	5,809	7,057
Charged to profit or loss	4,631	1,647
Payments	(2,525)	(2,895)
Carrying amount at end of year	7,915	5,809

Customers are generally entitled to customer rebates within 12 months of balance date, however in some instances claims and payments may not be made within 12 months of balance date.

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17. Deferred tax

a. Assets

	Notes	Consolidated 2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:			
Inventory		2,947	2,328
Provision for customer rebates		2,354	1,743
Available for sale financial asset		1,858	1,858
Provision for employee benefits		763	776
		7,922	6,705
Other			
Receivables		296	239
Derivative financial instruments		122	218
Share issue expenses		51	102
Borrowing costs		80	18
Other		186	52
Sub-total other		735	629
Total deferred tax assets		8,657	7,334
Set-off of deferred tax assets pursuant to set-off provisions		(8,657)	(7,334)
Net deferred tax assets		-	-
Deferred tax assets at the start of the year		7,334	7,299
Increase in deferred tax assets credited to income tax expense	2	1,323	35
Deferred tax assets at the end of the year		8,657	7,334
Deferred tax assets expected to be recovered within 12 months		4,883	3,445
Deferred tax assets expected to be recovered after more than 12 months		3,774	3,889
		8,657	7,334

Movements	Inventory $'000	Provision for customer rebates $'000	Special Unit in the BCM Apartment Trust $'000	Provision for employee benefits $'000	Other $'000	Total $'000
At 1 July 2015	2,501	2,117	1,549	834	298	7,299
(Charged)/credited						
- to profit or loss	(173)	(374)	309	(58)	331	35
At 30 June 2016	2,328	1,743	1,858	776	629	7,334
(Charged)/credited						
- to profit or loss	619	611	-	(13)	106	1,323
At 30 June 2017	2,947	2,354	1,858	763	735	8,657

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b. Liabilities

	Notes	Consolidated 2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Inventory		5,958	5,212
Deferred development costs		4,633	5,372
Prepayments		370	439
Investment Property		305	367
		11,266	11,390
Other			
Lease incentives		245	172
Revaluation reserve		24	38
Other		9	11
Sub-total other		278	221
Total deferred tax liabilities		11,544	11,611
Set off of deferred tax assets pursuant to set-off provisions		(8,657)	(7,334)
Net deferred tax liabilities		2,887	4,277
Deferred tax liabilities at the start of the year		11,611	9,535
(Decrease) increase in deferred tax liabilities (credited) debited to income tax expense	2	(67)	2,076
Deferred tax liabilities at the end of the year		11,544	11,611
Deferred tax liabilities expected to be settled within 12 months		3,123	3,643
Deferred tax liabilities expected to be settled after more than 12 months		8,421	7,968
		11,544	11,611

Movements	Inventory $'000	Deferred development costs $'000	Prepayments $'000	Investment Property $'000	Other $'000	Total $'000
At 1 July 2015	4,872	3,706	411	215	331	9,535
Charged/(credited)						
- to profit or loss	340	1,666	28	152	(110)	2,076
At 30 June 2016	5,212	5,372	439	367	221	11,611
Charged/(credited)						
- to profit or loss	746	(739)	(69)	(62)	57	(67)
At 30 June 2017	5,958	4,633	370	305	278	11,544

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18. Equity

Movement in ordinary share capital	2017 Shares	2016 Shares	2017 $'000	2016 $'000
Start of the year	**78,891,681**	**78,891,681**	**119,525**	**119,525**
End of the year	**78,891,681**	**78,891,681**	**119,525**	**119,525**

Holders of ordinary shares are entitled to participate in dividends and the proceeds on any winding up of the company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

a. 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.

b. 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 remained suspended during the 2017 financial year in response to capital management initiatives, having regard to the company share price.

19. 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.

		Consolidated	
	Notes	2017 $'000	2016 $'000
Composition			
a) Asset revaluation reserve (pre 1992)		55	89
b) Employee share plan reserve		155	70
		210	159
Movements			
a) Asset revaluation reserve			
Balance at the beginning of the year		89	186
Transfer to retained profits	20	(34)	(97)
Balance at the end of the year		55	89
b) Share-based payments reserve			
Balance at the beginning of the year		70	-
Share-based payments expense		85	70
Balance at the end of the year		155	70

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

The share-based payments reserve is used to recognise the grant date fair value of the rights issued to employees adjusted for those rights not expected to vest. Refer to note 37.

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20. Retained profits

	Notes	Consolidated 2017 $'000	2016 $'000
Retained profits at the start of the year		187,504	165,894
Net profit attributable to members of Cedar Woods Properties Limited		45,445	43,602
Transfers from reserves	19	34	97
Dividends provided for or paid	26	(22,484)	(22,089)
Retained profits at the end of the year		210,499	187,504

21. Categories of financial assets and financial liabilities

Notes 4, 5, 12, 13, 14, and 15 provide information about the group's financial instruments, including:

a. *Specific information about each type of financial instrument*

b. *Accounting policies*

c. *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	Total
2017		**$'000**	**$'000**
Cash and cash equivalents	4	8,400	8,400
Trade and other receivables*	5	4,304	4,304
Total		**12,704**	**12,704**
2016			
Cash and cash equivalents	4	1,697	1,697
Trade and other receivables*	5	13,331	13,331
Total		**15,028**	**15,028**

* Excluding prepayments

Financial Liabilities	Notes	Derivatives used for hedging	Liabilities at amortised cost	Total
2017		**$'000**	**$'000**	**$'000**
Trade and other payables	12	-	24,175	24,175
Borrowings	13	-	87,340	87,340
Derivative financial instruments	14	407	-	407
Other financial liabilities	15	-	41,477	41,477
Total		**407**	**152,992**	**153,399**
2016				
Trade and other payables	12	-	13,497	13,497
Borrowings	13	-	52,041	52,041
Derivative financial instruments	14	728	-	728
Other financial liabilities	15	-	61,532	61,532
Total		**728**	**127,070**	**127,798**

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Cash Flow Information

22. Reconciliation of profit after income tax to net cash inflows from operating activities

	Consolidated	
	2017 $'000	2016 $'000
Profit after income tax	45,445	43,602
Depreciation	1,761	1,454
Amortisation of lease incentives	158	138
Write down of assets – investment property and lease incentives	178	434
Write down/ loss on sale of non-current assets	295	2
Write down of assets - Available for sale financial assets –BCM Apartment Trust	-	1,029
Write down of assets - Impairment of loan to the BCM Apartment Trust	-	449
Fair value (gain) loss on derivative financial instrument	(321)	660
Non-cash share based payments expense	85	70
Accrued interest on receivables	(412)	(760)
Share of profit in equity accounted investment	(109)	(41)
Changes in operating assets and liabilities		
Decrease in provisions for employee benefits	(99)	(132)
Increase (decrease) in provisions	2,106	(1,248)
Increase in inventories	(44,447)	(56,896)
Decrease (increase) in other deferred development costs	2,647	(6,008)
Increase in deferred tax assets	(1,323)	(35)
Increase (decrease) in current income tax payable	3,631	(2,609)
(Decrease) Increase in deferred tax liability	(67)	2,076
Decrease in capitalised borrowing costs	132	20
Decrease (increase) in debtors	406	(3,752)
Increase (decrease) in creditors	11,818	(3,612)
(Decrease) increase in other financial liabilities	(21,279)	29,426
Net cash inflows from operating activities	**605**	**4,267**

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Section B: Financial Risks

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

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Significant Estimates and Judgements

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

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

23. Significant estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity. The judgements that have a significant risk of causing a material adjustment to the carrying amounts or presentation of assets and liabilities within the next financial year are discussed below.

a. Inventory - classification

Judgement is exercised with respect to estimating the classification of inventory between current and non-current assets. Inventory is classified as current only when sales are expected to result in realisation of cash within the next twelve months, based on management's sales forecasts.

b. Inventory - valuation

The recoverable amount of inventory is estimated based on an assessment of net realisable value including future development costs. This requires judgement as to the future cash flows likely to be generated from the properties included in inventory, including in some cases, judgement regarding the likelihood and timing of obtaining development approvals. If the approvals are not received when anticipated, the recoverable amount of inventory may be significantly impaired. Refer also to note 38(g).

c. Fair values of assets and liabilities recognised from business combination

The fair value of assets and liabilities recognised as part of the consolidation of the BCM Apartment Trust were based on assumptions on future market conditions, and included estimating sales rates and prices of the apartments. Refer to note 27 for details.

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

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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.

24. 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, available-for-sale financial assets and derivative financial instruments	Ageing analysis Credit ratings Management of deposits	Ongoing checks by management Contractual arrangements
Liquidity risk	Borrowings and other liabilities	Forecast and actual cash flows	Flexibility in funding arrangements

Financial risk management is considered part of the overall risk management program overseen by the Audit and Risk Management committee. Further detail on the types of risks to which the group is exposed and the way the group manages these risks is set out below.

The group holds the following financial instruments:

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	8,400	1,697
Trade and other receivables	5,882	15,264
	14,282	16,961
Financial liabilities		
Trade and other payables	24,175	13,497
Other financial liabilities	41,477	61,532
Borrowings	87,340	52,041
Derivative financial instruments	407	728
	153,399	127,798

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.

The group has issued loans to the BCM Apartment Trust that bears an interest rate of BBSY plus 4.5%. Loans issued at fixed rates or at a fixed range of rates expose the group to fair value interest rate risk. These loans have been eliminated on consolidation in 2017.

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

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consolidated entity reviews the potential impact of variable interest rate changes and considers various interest rate management products in the context of prevailing monetary policy of the Reserve Bank and economic conditions. Accordingly the consolidated entity has entered into interest rate swap contracts under which a significant part of the consolidated entity's projected borrowings are protected for the period from 1 July 2017 to 30 June 2020.

There is an indirect exposure to interest rate changes caused by the impact of these changes upon the property market. The group addresses this risk by virtue of managing its pricing, product offer and planned development programs.

iii. Instruments used by the group

Interest rate swap contracts effectively fix interest rates applicable to bank bills issued with a duration of 1 month (BBSY Bid) at certain levels between 2.070% - 2.495% (2016 – 2.255% - 2.495%) per annum. Swaps currently in place cover 63% (2016 - 57%) of the variable loan outstanding at balance date, with terms expiring in 2019 and 2020.

The consolidated entity's policy is to limit a significant proportion of its borrowings to a maximum fixed rate using interest rate swaps or caps to achieve this when necessary. The swaps described above covered 63% of the bank loan at balance sheet date of $87,593,000 (2016 - $52,309,000).

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

	2017			2016		
	Interest bearing - variable $'000	Non-interest bearing $'000	Total $'000	Interest bearing - variable $'000	Non-interest bearing $'000	Total $'000
Receivables						
Other receivables	-	5,882	5,882	-	6,376	6,376
Employee share loans	-	16	16	-	22	22
Loan to BCM Apartment Trust	-	-	-	8,866	-	8,866
	-	5,898	5,898	8,866	6,398	15,264

The weighted average interest rate at year end is 6.17% (2016: 6.41%)

	2017			2016		
	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	-	87,593	87,593	-	52,309	52,309
Other financial liabilities	36,188	-	36,188	34,086	-	34,086
	36,188	87,593	123,781	34,086	52,309	86,395

The weighted average interest rate at year end is 3.04% (2016: 3.28%).

An analysis by maturity is provided in 24(c) below.

iv. Summarised interest rate sensitivity analysis

The potential impact of a change in bank interest rates of + / -1% is not significant to the group's net profit and equity.

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

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b. Credit risk

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

Policies and procedures are in place to manage credit risk including management of deposits and review of the financial capacity of customers. Ongoing checks are performed by management to ensure that settlement terms detailed in individual contracts are adhered to. For land under option the consolidated entity secures its rights by way of encumbrances on the underlying land titles. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above.

Derivative counterparties and cash deposits are placed with high credit quality financial institutions, such as major trading banks.

Credit risk may arise in relation to bank guarantees given to certain parties. These guarantees are supported by contractual arrangements that bind the counterparty, providing security against inappropriate presentation of the bank guarantees.

In relation to the loans to BCM Apartment Trust, loans are secured by way of registered first mortgages over property held by the BCM Apartment Trust. The majority of the loans take priority over payment of any return to the special units (class A, class B and class C). The portion of the loans that rank behind the payment of any returns to the special units has been impaired. These loans have been eliminated on consolidation in 2017.

c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available credit facilities to manage the consolidated entity's financial commitments. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the group aims at maintaining flexibility in funding by keeping committed credit lines available.

At 30 June 2017 the group had undrawn committed facilities of $101,162,000 (2016 - $94,455,000) and cash of $8,400,000 (2016 - $1,697,000) to cover short term funding requirements. Refer to 13(b) for details.

i. Maturities of financial liabilities

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

Group – at 30 June 2017	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	24,175	-	-	24,175	24,175
Fixed rate	4,065	39,000	-	43,065	40,254
Variable rate	-	30,757	64,109	94,866	87,340
Derivatives	-	335	72	407	407
Total	**28,240**	**70,092**	**64,181**	**162,513**	**152,176**

Group – at 30 June 2016	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives					
Non-interest bearing	13,497	-	-	13,497	13,497
Fixed rate	25,037	-	39,000	64,037	61,532
Variable rate	-	-	57,607	57,607	52,041
Derivatives	-	-	728	728	728
Total	**38,534**	**-**	**97,335**	**135,869**	**127,798**

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d. Fair value measurement

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

i. Fair value hierarchy

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

The following table presents the group's financial liabilities measured and recognised at fair value at 30 June 2017 and 30 June 2016:

As at 30 June 2017	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities					
Derivatives used for hedging	14	-	407	-	407
Total liabilities		**-**	**407**	**-**	**407**

As at 30 June 2016	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities					
Derivatives used for hedging	14	-	728	-	728
Total liabilities		**-**	**728**	**-**	**728**

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.

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Capital Management

25. Capital management objectives and gearing

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group will consider a range of alternatives which may include:

- raising or reducing borrowings
- adjusting the dividend policy
- issue of new securities
- return of capital to shareholders
- sale of assets.

Gearing is a measure used to monitor the levels of debt used in the business to fund operations. The gearing ratio is calculated as interest bearing bank debt net of cash and cash equivalents divided by shareholders' equity. Gearing is managed by reference to a guideline which sets the desirable upper and lower limits for the gearing ratio. The group's gearing is then addressed by utilising capital management initiatives as discussed above.

The gearing ratios were as follows:

	Note	2017 $'000	2016 $'000
Total interest bearing bank debt	13	87,340	52,041
Less: cash and cash equivalents	4	(8,400)	(1,697)
Net debt		78,940	50,344
Shareholders' equity		330,234	307,188
Gearing ratio		**23.9%**	**16.4%**

The group's guideline is to target gearing generally within the range of 20-75% although periods where the gearing is outside of this range are acceptable, depending upon the timetable for acquisition payments and the construction and settlement of developments.

a. Loan Covenants

Under the terms of the major borrowing facilities, the group has complied with covenants throughout the reporting period. Debt covenants are disclosed in note 13 and include requirements in relation to a maximum loan to valuation ratio and a minimum interest cover ratio.

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26. Dividends

a. *Ordinary shares*

	Consolidated	
	2017 $'000	2016 $'000
Fully franked based on tax paid at 30%		
Final dividend for the year ended 30 June 2016 of 16.5 cents (2015 – 16.0 cents) per fully paid share		
- Paid in cash	13,014	12,619
- Applied to the employee share loans	3	3
Interim dividend for the year ended 30 June 2017 of 12.0 cents (2016 – 12.0 cents) per fully paid share		
- Paid in cash	9,464	9,464
- Applied to the employee share loans	3	3
Total	22,484	22,089

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 18.0 cents per fully paid ordinary share (2016 – 16.5 cents), fully franked based on the tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 October 2017 out of retained profits at 30 June 2017, but not recognised as a liability at year end is below:

	Consolidated	
	2017 $'000	2016 $'000
Dividends not recognised at year end	14,201	13,017

c. *Franked Dividends*

The franked portions of the final dividend proposed at 30 June 2017 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

	Consolidated	
	2017 $'000	2016 $'000
Franking credits available for the subsequent financial year on a tax-paid basis of 30% (2016 – 30%)	82,211	70,516

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 $6,086,000 (2016 - $5,579,000).

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Section C: Group Structure

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

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Business Combination

27. Business Combination

The consolidated entity owns 100 ordinary units for $1 each (a 50% interest in the ordinary units) in the BCM Apartment Trust and 1 special unit (class B). The consolidated entity's interests in the ordinary units do not entitle it to a share of the revenue, profit/loss and net assets of BCM Apartment Trust. The special unit (class B) entitles the consolidated entity to a fixed return upon repurchase of the 1 special unit (class B) at cost where profits are sufficient to make a return. The fixed return is preferential to any return being received by the other ordinary unit holder.

The consolidated entity also owns 10 ordinary shares for $1 each (a 50% interest) in Champion Bay Nominees Pty Ltd, the trustee of BCM Apartment Trust. The net assets of Champion Bay Nominees Pty Ltd are not material to the consolidated entity.

The company's interest in the BCM Apartment Trust and Champion Bay Nominees Pty Ltd were accounted for as investments using the equity method during 30 June 2016.

On 31 January 2017 changes to the board of Champion Bay Nominees Pty Ltd, the trustee of the BCM Apartment Trust, resulted in Cedar Woods Properties Limited obtaining management control of Champion Bay Nominees Pty Ltd and thus the BCM Apartment Trust. The operating results and assets and liabilities of BCM Apartment Trust have thus been consolidated into the accounts of Cedar Woods Properties Limited from that date and transactions and balances between the two parties eliminated on consolidation. There was no consideration provided and no goodwill was recognised on consolidation.

The assets and liabilities recognised as a result of the consolidation are as follows:

	Fair Value $000
Cash	66
Trade and other receivables	1
Inventory	10,493
Property, plant and equipment	152
Trade payables	(14)
Provisions	(94)
Non-current payables	(1,326)
Net assets consolidated	**9,278**

Loans of $9,278,000 receivable from the BCM Apartment Trust are eliminated upon consolidation in accordance with accounting policy in note 38(b).

No non-controlling interests have been recognised by the consolidated entity due to the return of the other ordinary unit holder ranking behind the consolidated entity and forecast profits of BCM Apartment Trust are not expected to be sufficient to make a return to the other ordinary unit holder.

Revenue and profits (losses) of BCM Apartment Trust for the period or year ended 30 June 2017 are not material to the consolidated entity.

There were no business acquisitions during the year ended 30 June 2016.

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Interests in Other Entities

28. Subsidiaries

The group's operating subsidiaries at 30 June 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares or units that are held directly by the group and the proportion of ownership interest held equals the voting rights held by the group. The subsidiaries are incorporated or established in Australia.

The consolidated financial statements incorporate the assets, liabilities and results in accordance with the accounting policy described in note 38(b).

Company	Notes	Equity Holding	
		2017	2016
BCM Apartment Trust	a	50%	-
Champion Bay Nominees Pty Ltd	b	50%	-
Cedar Woods Properties Finance Pty Ltd		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.

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29. Interests in joint arrangements

Set out below are the joint ventures of the group as at 30 June 2017. 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	
	2017 %	2016 %			2017 $'000	2016 $'000
Cedar Woods Wellard Limited	32.5	32.5	Joint Venture	Equity method	4,125	4,016
BCM Apartment Trust	-	50	Joint Venture	Equity method	-	-

The carrying amount represents the amount attributable to the group.

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

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

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

The company's interest in the BCM Apartment Trust and Champion Bay Nominees Pty Ltd were accounted for as investments accounted for using the equity method during 30 June 2016. As a result of a change in control of Champion Bay Nominees Pty Ltd in the year ended 30 June 2017, these entities were consolidated in the accounts of Cedar Woods Properties Limited at 30 June 2017. Refer to note 27 for details.

30. Commitments and contingent liabilities in respect of the joint ventures

Cedar Woods Wellard Limited has commitments for expenditure at 30 June 2017 of $23,022 (2016: $111,263) and has provided $2,047,433 (2016: $2,075,100) in bank guarantees to various local authorities supporting development and maintenance commitments.

BCM Apartment Trust has no commitments for expenditure nor contingent liabilities at 30 June 2017 (2016: nil).

31. Summarised financial information for joint ventures

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

Cedar Woods Wellard Limited	2017 $'000	2016 $'000
Current assets		
Cash	2,843	867
Other current assets	5,451	7,745
Total current assets	**8,294**	**8,612**
Total non-current assets	**6,713**	**9,538**
Total assets	**15,007**	**18,150**
Total current liabilities	**329**	**3,807**
Non-current liabilities	**-**	**-**
Total liabilities	**329**	**3,807**
Net assets	**14,678**	**14,343**
Group's share in %	32.5%	32.5%
Group's share in $	4,770	4,661

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a. Movements in carrying amounts – Cedar Woods Wellard Limited

	2017 $'000	2016 $'000
At start of the year	4,016	3,975
Share of profit after income tax	109	41
At end of the year	4,125	4,016
Share of profit before income tax	271	59
Income tax expense	(162)	(18)
Share of profit after income tax	109	41
Share of joint venture's revenue, assets, liabilities and contingent liabilities		
Revenue	2,495	1,091
Assets	4,877	5,899
Liabilities	(107)	(1,237)
Contingent liabilities (bank guarantees)	(665)	(674)

The consolidated entity owns a 32.5% (2016 – 32.5%) interest in Cedar Woods Wellard Limited, a property development company incorporated in Australia.

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

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Section D: Unrecognised Items

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

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33. **Commitments** 85

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Contingent Liabilities

At 30 June 2017 the group had contingent liabilities in respect of:

32. Bank guarantees

At 30 June 2017 bank guarantees totalling $15,438,000 (2016 - $14,145,000) had been provided to various state and local authorities supporting development and maintenance commitments.

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Commitments

33. Commitments

a) Non-cancellable operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	Consolidated	
	2017 $'000	2016 $'000
Within 1 year	759	683
Later than 1 year but not later than 5 years	830	1,294
	1,589	1,977

The group leases various offices under non-cancellable operating leases expiring within 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

b) Capital commitments

At 30 June 2017 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 $9,809,000 (2016 - $19,220,000), for building construction was $98,079,000 (2016 - $34,931,000) and for landscaping construction was $2,945,000 (2016 - $2,375,000). This work will be substantially completed in the next 12 months.

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Events occurring after the reporting period

34. Events occurring after the reporting period

In July 2017 the company settled on the acquisition of 11 hectares of land at Bonnie Brook, Victoria for a price of $4.2m plus GST. The Bonnie Brook site is located 30 kilometres west of the Melbourne CBD and is anticipated to realise 135 residential lots, with development commencing around 2020. Bonnie Brook is a new residential suburb located between Plumpton and Rockbank in Melbourne's quickly developing western growth corridor.

In August 2017 the company contracted to acquire an infill development site of approximately 1390m^2 in North Melbourne for $9.8m on a GST exempt basis. Located 2 kilometres north of the Melbourne CBD, the project is anticipated to realise 14 premium 3 and 4 bedroom townhouses, with construction anticipated to commence shortly after settlement in June 2018. North Melbourne is a vibrant inner city location with the site enjoying close proximity to Flagstaff Gardens, Queen Victoria Market, University High School, University of Melbourne, The Royal Melbourne Hospital, Royal Park and The Melbourne Zoo.

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Section E: Other Information

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

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Related Party Transactions

35. Related Party Transactions

a) Key management personnel compensation

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

	Consolidated	
	2017 $	2016 $
Short-term employee benefits	3,261,649	2,771,210
Post-employment benefits	197,012	177,444
Long-term employee benefits	117,404	69,283
Termination benefit	-	-
	3,576,065	3,017,937

At 30 June 2017, an amount of $11,217 was outstanding on a loan to a key management personnel employee issued under the former employee share plan. Under the now discontinued plan, certain employees were granted shares funded by interest free loans from the company and with the loans repaid by dividends. This employee was not a member of key management personnel in 2016.

b) Group

The group consists of Cedar Woods Properties Limited and its controlled entities. A list of these entities and the ownership interests held by the parent entity are set out in note 28.

c) Parent entity

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

d) Transactions with other related parties

Cedar Woods Properties Management Pty Ltd and Cedar Woods Property Sales derived management and selling fees totalling $684,191 (2016 - $312,413) 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 higher than in the previous year as a result of architectural and design work performed on the *Williams Landing Shopping Centre* and the major start-up phase of the *Glenside* project in Adelaide. The *Glenside* project was introduced to the company by Hames Sharley.

During the year creative design services were provided by Axiom Design, an entity associated with the family of Mr W G Hames. Mr Hames has no beneficial interest in Axiom Design. The services were performed on normal commercial terms and conditions and the level of services decreased compared with 2016.

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 FY2017 was higher than that of the previous year and as a result the value of transactions with Westland Settlement Services Pty Ltd increased. Across the group, settlements and associated fees were also significantly higher.

Cedar Woods has for many years been a member of the Australian Institute of Company Directors (AICD). During the 2015 year Mr P S Sadleir became a council member of AICD WA. The annual subscriptions paid in 2017 and 2016 were performed on normal commercial terms and conditions.

In 2017 no payments were made for sponsorship of the Warren Jones Foundation Inc. of which Mr R Packer is a trustee with no beneficial interest.

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

	2017 $	2016 $
Amounts recognised as expense		
Creative design services	31,001	62,323
Architectural fees	5,000	24,500
Settlement fees	107,450	78,355
Subscriptions	10,000	10,000
Sponsorships	0	9,500
	153,451	184,678
Amounts recognised as inventory/ investment property		
Architectural fees	455,468	153,995
	455,468	153,995
Total amounts recognised in year	**608,919**	**338,673**

Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Cedar Woods Properties Limited or their related entities:		
Inventory	445,668	90,020
Investment property	9,800	63,975
	455,468	153,995

There are no aggregate amounts payable to directors of Cedar Woods Properties Limited at balance date. An amount of $1,501 was payable to related entities (Axiom Design) at balance date. There are no other amounts payable to related entities at balance date relating to the above types of other transactions.

e) Terms and conditions

Management and selling fees are derived according to management agreements in place between the parties. These are based on normal terms and conditions, at market rates at the time of entering into the agreements.

f) Outstanding balances arising from sales / purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2017 $	2016 $
Current receivables (sales of goods and services)		
Cedar Woods Wellard Limited	-	315
	-	315

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Remuneration of Auditors

36. Remuneration of Auditors

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

PricewaterhouseCoopers – Australian firm	2017 $	2016 $
Assurance services		
- Audit and review of the financial statements of the parent entity, controlled entities and co-development projects	209,383	196,238
Non-audit services		
- Accounting advice	-	1,530
- Other taxation advice and reviews	47,430	7,575
Total fees for non-audit services	43,430	9,105
	256,813	205,343

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Employee Share Scheme

37. Employee Share Scheme

The current Long Term Incentive (LTI) plan effective from 1 July 2015 for FY2016 and from 1 July 2016 for FY2017 will continue in FY2018.

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

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

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Summary of Accounting Policies

38. Summary of Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative information is reclassified and restated for consistency with current period disclosures. The financial statements are for the consolidated entity consisting of Cedar Woods Properties Limited and its subsidiaries.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Cedar Woods Properties Limited is a for-profit entity for the purpose of preparing the financial statements.

i. Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Cedar Woods Properties Limited group also comply with IFRS as issued by the International Accounting Standards Board (IASB).

ii. Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

iii. Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 23.

iv. Functional and presentation currency

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

b) Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Cedar Woods Properties Limited (parent) as at 30 June 2017 and the results of all subsidiaries for the year then ended. Cedar Woods Properties Limited and its subsidiaries together are referred to in these financial statements as the consolidated entity or the group.

Subsidiaries are those entities over which the parent has the power to govern the financial and operating policies, generally accompanying a shareholding of one-half or more of the voting rights.

The acquisition method of accounting is used to account for business combinations by the group. Subsidiaries are fully consolidated from the date on which control is transferred to the parent. They are de-consolidated from the date that control ceases.

All inter-company balances and transactions between companies within the consolidated entity are eliminated upon consolidation.

ii. Joint arrangements

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

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 29.

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iii. Equity method

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

c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised net of discounts and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

i. Sale of land and buildings

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

ii. Interest

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

iii. Dividends

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

iv. Lease income

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

v. Commissions and fees

Commission and fee income is recognised when the right to receive the income has been earned in accordance with contractual arrangements.

d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate in Australia adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Cedar Woods Properties Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

e) Earnings per share

i. Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to owners of Cedar Woods Properties Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

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ii. Diluted earnings per share

Diluted earnings per share adjusts the earnings used in the determination of basic earnings per share to take account of any effect on borrowing costs associated with the issue of dilutive potential ordinary shares. The weighted average number of ordinary shares is adjusted to reflect the conversion of all dilutive potential ordinary shares.

f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, and deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

g) Inventories

i. Property held for development and resale

Since 1 July 1992, property purchased for development and sale is valued at the lower of cost and net realisable value. Cost includes acquisition and subsequent development costs, and applicable borrowing costs incurred during development. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. All property held for development and sale is regarded as inventory and is classified as such in the balance sheet. Property is classified as current inventory only when sales are expected to result in realisation of cash within the next twelve months, based on management's sales forecasts. Borrowing costs incurred prior to active development and after development is completed, are expensed as incurred.

Prior to 1 July 1992 the consolidated entity's land assets were classified on acquisition as non-current investments and initially recorded at cost with regular independent valuations being undertaken. Increments or decrements were reflected in the balance sheet and also recognised in equity. The balance of this land is stated at 1992 valuation, which is its deemed cost. The amount remaining in the Asset Revaluation Reserve represents the balance of the net revaluation increment for land revalued prior to 1 July 1992 which is now classified as inventory and which is still held by the consolidated entity. When revalued assets are sold, it is policy to transfer any amounts included in reserves in respect of those assets to retained earnings.

The acquisition of land is recognised when an unconditional purchase contract exists.

When property is sold, the cost of the land and attributable development costs, including borrowing costs, is expensed through cost of sales.

h) Deferred development costs

Development costs incurred by the group for the development of land not held as an asset by the group are recorded as deferred development costs in the balance sheet. They are included in current assets, except for those which are not expected to be reimbursed within 12 months of the reporting period, which are classified as non-current assets. In instances when the deferred development costs are reimbursed by the land owner, they are expensed in the profit or loss.

i) Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value, less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal) is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

j) Business combinations

The 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.

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k) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash generating units, which is generally the project level. Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

l) Property, plant and equipment

Property, plant and equipment is substantially made up of furniture, fittings and equipment and is stated at historical cost less depreciation. Depreciation is calculated on a straight line or diminishing value basis to write off the net cost of each item of property, plant and equipment, including leased equipment, over its expected useful life to the consolidated entity. The expected useful lives of items of property, plant and equipment and the depreciation methods used are:

- Plant and equipment – 3 to 15 years (straight line and diminishing value methods)

The assets' residual values and useful lives are reviewed for impairment and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

m) Investments, other financial assets and other financial liabilities

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the purpose for which investments were acquired. Management determines the classification of its investments at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designed as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets, except for those with maturities less than 12 months after the reporting period which are classified as current assets. Loans and receivables are included in receivables in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

iii. Available-for sale financial assets

Available-for-sale financial assets, comprising marketable equity securities and other securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets as management does not intend to sell them within 12 months. Available-for-sale financial assets are carried at fair value. Changes in the fair value not arising from impairment or interest are recognised in other comprehensive income.

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. If there is evidence of impairment, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. In the case of loans and receivables, the cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

iv. 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. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

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n) Investment property

Investment property, principally comprising retail property, is held for long term rental yields and is not occupied by the consolidated entity. Investment property includes properties under construction for future use as investment property and is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis to write off the net cost of each investment over its expected useful life to the consolidated entity. The expected useful life of investment property buildings is 40 years.

When the company elects to dispose of investment property, it is presented as assets classified as held for sale in the balance sheet where it meets the relevant criteria. Net gains or losses on sale are disclosed in the profit or loss.

o) Lease incentives

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

p) 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.

q) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition.

r) Leases

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases. Operating lease payments are charged to the profit or loss in the periods in which they are incurred as this represents the pattern of benefit derived from the leased assets.

Lease income from operating leases where the group is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the balance sheet as investment properties.

s) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the commencement of the facility when draw down occurs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets during the period when the asset is being prepared for its intended use or sale.

t) 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.

u) 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.

v) Maintenance

Routine operating maintenance and repairs are charged as expenses as incurred.

w) 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.

x) 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.

y) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within one year.

Collectability of trade receivables is reviewed regularly. Receivables that are uncollectable are written off by reducing the carrying amount directly. Receivables include prepayments and loans made under the discontinued employee share scheme.

z) 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.

aa) 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.

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bb) New accounting standards and interpretations

The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2016:

AASB 2014-1 *Amendments to Australian Accounting Standards*

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

New accounting standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Title of Standard	Nature of change	Impact	Mandatory application date / Date of adoption by group
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	The application of the standard at the operative date is not expected to have a significant impact on the group's accounting for financial assets and liabilities.	Must be applied for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	The application of the standard at the operative date is not expected to have a significant impact on the group's annual results. The vast majority of the group's revenue relates to sale of land and buildings which will continue to be recognised upon settlement under the new standard. The timing of recognition of revenue and expenses relating to customer rebates may be impacted, however profit is not expected to be affected. Revenue from services and property rental is not expected to be impacted by the new standard.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.
AASB 16 Leases	AASB 16 was issued in February 2016. For lessees, it will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	The application of the standard at the operative date is not expected to have a material impact on the group's annual results. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has operating lease commitments over the next 5 years of $1,589,000. Some of the commitments may relate to arrangements that will not qualify as leases under AASB 16.	Mandatory for financial years commencing on or after 1 January 2019. Expected date of adoption by the group: 1 July 2019.

There are no other standards that are not yet effective and that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

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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.

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Segment Information

39. Segment Information

The board has determined the operating segment based on the reports reviewed by the Managing Director that are used to make strategic decisions.

The board has considered the business from both a product and a geographic perspective and has determined that the group operates a single business in a single geographic area and hence has one reportable segment.

The group engages in property investment and development which takes place in Australia. The group has no separate business units or divisions.

The internal reporting provided to the Managing Director includes key performance information at a whole of group level. The Managing Director uses the internal information to make strategic decisions, based primarily upon the expected future outcome of those decisions on the group as a whole. Material decisions to allocate resources are generally made at a whole of group level.

The group sells products to the public and is not reliant upon any single customer for 10% or more of the group's revenue.

All of the group's assets are held within Australia.

The Managing Director assesses the performance of the operating segment based on the net profit after tax, earnings per share and net tangible assets per share.

Parent Entity Financial Information

40. Parent Entity Financial Information

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

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

	2017 $'000	2016 $'000
Balance sheet		
Current assets	52,930	48,760
Total assets	405,678	355,945
Current liabilities	(106,070)	(98,884)
Total liabilities	(164,684)	(126,107)
Net assets	240,994	229,838
Shareholders' equity		
Issued capital	119,525	119,525
Reserves	155	70
Retained earnings	121,314	110,243
	240,994	229,838
Profit for the year	28,521	28,790
Total comprehensive income	28,521	28,790

i. Investments in subsidiaries and joint venture entities

Investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of Cedar Woods Properties Limited. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital. Dividends received from joint ventures are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

ii. Tax consolidation legislation

Cedar Woods Properties Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Cedar Woods Properties Limited, and the controlled entities in the tax-consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax-consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, Cedar Woods Properties Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

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

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

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

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Section F: Declaration and Independent Auditor's Report

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Independent Auditor's Report **104**

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Directors' Declaration

In the directors' opinion:

a) the financial statements that are set out in the financial statements section and notes on pages 49 to 101 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

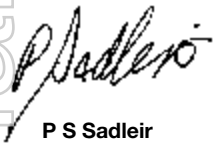
   ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

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

Note 38(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



P S Sadleir
Managing Director

Perth, Western Australia
21 August 2017

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Independent auditor's report

To the shareholders 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 2017 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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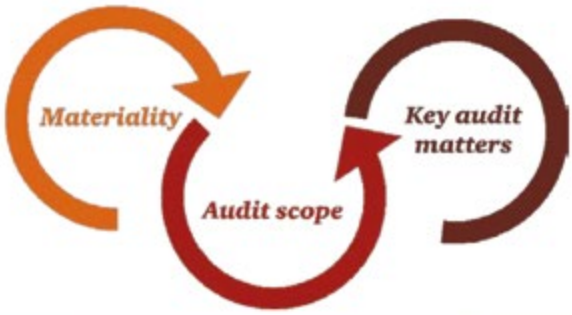
Our audit approach

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

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

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



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $3.2 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 the Group's profit before tax from continuing	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • Senior management and the finance team are located in the Perth office and this is where we based our audit.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit & Risk Management Committee: – Revenue – Valuation of inventory • These are further described in the *Key audit matters* section of our report.

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operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.

- We selected 5% based on our professional judgement, noting it is also within the range of commonly acceptable thresholds.

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*
Revenue *Refer to note 37 (c) ($222m)* Revenue was the most significant amount in the consolidated statement of profit or loss and other comprehensive income. Revenue of $222m was comprised of a number of streams, including two streams: • Sales of land and buildings $210.2m • Rent from properties $4.6m This was a key audit matter due to the magnitude of the sales of land and buildings, as well as the higher level of inherent risk related to the timing of recognition of revenue because it takes place at settlement date and not the date of the sales contract. Rent from properties is largely the rent received by the Group from the tenants in the Williams Landing Shopping Centre. This was a key audit matter due to the complexity in accounting arising as a result of the different terms and conditions in the rental agreements.	**Sale of land and buildings** We obtained confirmations from Settlement Agents and lawyers for land and buildings settled during the year, and compared the sales price on the confirmation to the sales price recorded in the Group's accounting records. We recalculated the net settlement amount by excluding rates, GST and other taxes from the sales price and compared the net settlement amount to the recorded revenue. We reviewed the settlement dates on the confirmations to check that sales recorded by the Group were from settlements occurring in the 30 June 2017 financial year. **Rent from properties** We compared the rent received as per the accounting records to the statements received by the Group from the external Property Managers of the Shopping Centre and the cash received to relevant bank statements.

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Key audit matter	*How our audit addressed the key audit matter*
	We have tested revenue transactions recorded for the month of June 2017 to supporting third party evidence, such as the Property Manager statements, to validate whether it was recorded in the correct period based on the terms in the relevant rental agreement.
Valuation of Inventory *Refer to note 6 ($422m)* The valuation of inventory included significant judgements made by the Group about the net realisable value based upon projected future cash flows, including future development costs. The Group carried certain inventory at cost and certain inventory at net realisable value, which is in accordance with its policy to hold inventory at the lower of cost and net realisable value. As part of its financing activities, the Group obtained third party prepared valuation reports for a selection of projects to meet debt covenants' requirements.	We obtained management's net realisable value assessment. Where we identified that there was an indicator that the carrying value of a project could have been in excess of the net realisable value, we performed a combination of the following procedures: • We assessed recent comparable sales and re-calculated the expected cash inflows for these projects based upon their pre-approved lots and zoning. • We obtained the undiscounted cash flow analysis performed by management and assessed the key assumptions including development expenditure and forecast sales value for each project to actuals known from the prior period and comparable projects. • We compared the carrying value of inventory to these forecast undiscounted cash flows. We obtained and read the external third party prepared valuation reports for each project, where available. We evaluated the competency, qualification, experience and independence of the Group's valuation experts. We compared the valuation in the third party valuation report to the carrying value of the project. We obtained an understanding and evaluated the design of relevant controls to address the risk of valuation of inventory.

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Other information

The directors are responsible for the other information. The other information comprises all sections of the Group's Annual Report with the exception of the Remuneration Report, Auditor's Independence Declaration, Financial Statements, Directors' Declaration and Independent Auditor's Report, which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report, including Section G: Shareholders' Information.

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 identified above 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 as identified above, 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.

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 30 to 46 of the directors' report for the year ended 30 June 2017. In our opinion, the remuneration report of Cedar Woods Properties Limited for the year ended 30 June 2017 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

Douglas Craig
Partner

Perth
21 August 2017

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Section G: Shareholders' Information

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

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41. Dividend and dividend policy **111**

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Investors' Summary

41. Dividend and dividend policy

The dividend policy is to distribute approximately 50% of the full year net profit after tax. The final dividend for the 2017 financial year is 18.0 cents per share, fully franked. The dividend will be paid on 27 October 2017.

42. Shareholder discount scheme

The group operates a shareholder discount scheme which entitles shareholders to a 5% discount off the listed price of any residential lot, or 2.5% off the listed price of houses or apartments at the group's developments. A summary of the main terms and conditions follows:

- Shareholders must hold a minimum number of 1,000 shares for at least 12 months before purchasing a lot or dwelling to qualify for the discount;
- There is no limit to the number of lots or dwellings which a shareholder may purchase under the scheme, subject to any statutory restrictions; and
- The shareholder discount scheme does not apply to lots or dwellings at joint venture projects.

The above is a summary of the main conditions and shareholders should apply to the company or visit the website for the full terms and conditions.

43. Electronic payment of dividends

The group continues to offer the electronic payment of dividends, which is now in use by the majority of our shareholders. Shareholders may nominate a bank, building society or credit union account for the payment of dividends by direct credit. Payments are electronically credited on the dividend payment date and confirmed by mailed advice. Shareholders wishing to take advantage of this facility for the first time should contact the company's share registrar, Computershare Investor Services Pty Ltd, by visiting www.computershare.com.au.

44. Dividend re-investment plan and Bonus share plan

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

45. Shareholders' timetable

Dividend announcement	**22 August 2017**
Share register closes for dividend (Record date)	3 October 2017
Final dividend payment date	27 October 2017
First quarter update	October 2017
Annual General Meeting	9 November 2017
Half-year result announcement	February 2018
Interim dividend payment date	April 2018
Third quarter update	May 2018
Full year result and dividend announcement	August 2018

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46. Shareholder Information

The shareholder information set out below was applicable at 31 August 2017.

a. Distribution of ordinary shares

	Number of holders	Number of shares
1 – 1,000	1,064	463,463
1,001 – 5,000	1,358	3,795,712
5,001 – 10,000	460	3,465,745
10,001 – 100,000	484	12,118,323
100,000 and over	54	59,048,438
	3,420	78,891,681

There were 268 holders of less than a marketable parcel of shares.

b. Twenty largest shareholders of ordinary shares as disclosed in the share register

	Number of shares	Percentage of shares
HSBC Custody Nominees (Australia) Limited	11,617,222	14.73
JP Morgan Nominees Australia Limited	9,033,499	11.45
Hamsha Nominees Pty Ltd (The Nowra Projects Unit Fund A/C)	5,040,216	6.39
Westland Group Holdings Pty Ltd	4,596,980	5.83
Zero Nominees Pty Ltd	4,077,221	5.17
Citicorp Nominees Pty Ltd	2,704,712	3.43
Beach Corporation Pty Ltd	2,384,963	3.02
National Nominees Limited	1,838,624	2.33
Helen Kaye Poynton	1,677,095	2.13
Australian Executor Trustees Limited (No 1 Account)	1,501,892	1.90
Joia Holdings Pty Ltd	1,177,922	1.49
Mr Paul Sadleir	1,045,445	1.33
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	948,312	1.20
BNP Paribas Nominees Pty Ltd (DRP A/C)	607,619	0.77
Dr A Gerraty & Mrs P Gerraty (A & P Gerraty S/F A/C)	600,000	0.76
Netwealth Investments Limited (Wrap Services A/C)	566,805	0.72
Mr JH Tucker & Mrs KJ Tucker (Tucker Family Super Fund A/C)	475,002	0.60
Leblon Holdings Pty Ltd (William Hames Super Fund A/C)	458,058	0.58
Ramneg Pty Ltd (Lang Superannuation Fund)	442,977	0.56
Croftwell Pty Ltd (Croft Class A/C)	428,755	0.54
	51,223,319	64.93

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c. *Substantial shareholders of ordinary shares*

As disclosed in substantial shareholder notices lodged with the ASX at 31 August 2017.

	Number of shares	Percentage of shares [1]
William George Hames and related entities	9,314,668	12.90
Robert Stanley Brown and related entities	7,967,627	10.87
AustralianSuper Pty Ltd	4,133,714	5.24
Westoz Funds Management Pty Ltd	4,025,000	5.10

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

d. *Voting rights*

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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Five Year Financial Performance

All figures in $'000 except where stated

Financial Year	2017	2016	2015	2014	2013
Financial Performance					
Revenue from operations	222,269	175,159	178,637	214,465	172,751
Proceeds from sale of investment properties	-	-	36,000	-	382
Earnings before interest and tax	67,446	65,587	61,220	56,172	53,022
Finance costs	2,947	3,755	3,397	606	1,580
Operating profit before tax	64,499	61,832	57,823	55,566	51,442
Income tax expense	19,054	18,230	15,238	15,253	15,105
Net profit after tax	45,445	43,602	42,585	40,313	36,337
Financial Position					
Total assets	505,624	452,729	383,330	409,948	301,024
Total liabilities	175,390	145,541	97,725	148,347	93,280
Shareholders' equity	330,234	307,188	285,605	261,601	207,744
Number of shares on issue – end of year ('000)	78,892	78,892	78,892	78,336	73,360
Basic earnings per share (cents)	57.6	55.3	54.3	54.4	49.9
Key Performance Measures					
Dividend per share, fully franked (cents)	30.0	28.5	28.0	27.5	26.0
EBIT Margin	30.3%	37.4%	34.3%	26.2%	30.7%
Interest cover (times)	13.9	16.6	9.9	10.4	12.6
Return on Equity	13.8%	14.2%	14.9%	15.4%	17.5%
Investment in inventory during year	161,588	112,887	120,620	158,149	145,474
Net tangible assets backing per share ($)	4.19	3.89	3.62	3.34	2.83
Net bank debt	78,940	50,344	27,908	32,602	37,762
Net bank debt to equity	23.9%	16.4%	9.8%	12.5%	18.2%
Share price – end of year ($)	5.21	4.35	5.26	7.31	5.17
Stock Market capitalisation at 30 June	411,026	343,179	414,970	572,639	379,269
Number of employees at 30 June	**79**	**67**	**62**	**56**	**54**

Returns to shareholders over 1, 3, & 5 years	1 Year	3 Year	5 Year
Earnings per share growth %	4.2	1.9	1.6
Share price growth %	19.8	(10.7)	7.9
Dividend growth % (paid dividend)	1.8	1.8	4.4
Total shareholder return %	29.67	(3.56)	16.0

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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, 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

Fax: (08) 9480 1599

Email: email@cedarwoods.com.au

Website: www.cedarwoods.com.au

Share registry

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace

PERTH WA 6000

Auditor

PricewaterhouseCoopers

125 St Georges Terrace

PERTH WA 6000

Securities exchange listing

Cedar Woods Properties Limited shares are listed on the Australian Securities Exchange (ASX)

ASX code: CWP

Annual general meeting

Venue: Kings Park Function Centre, Fraser Avenue, West Perth WA 6005

Time: 10:00am

Date: Thursday 9 November 2017

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