CEDAR WOODS
PROPERTIES LIMITED
ABN 47 009 259 081

# ANNUAL REPORT 2004

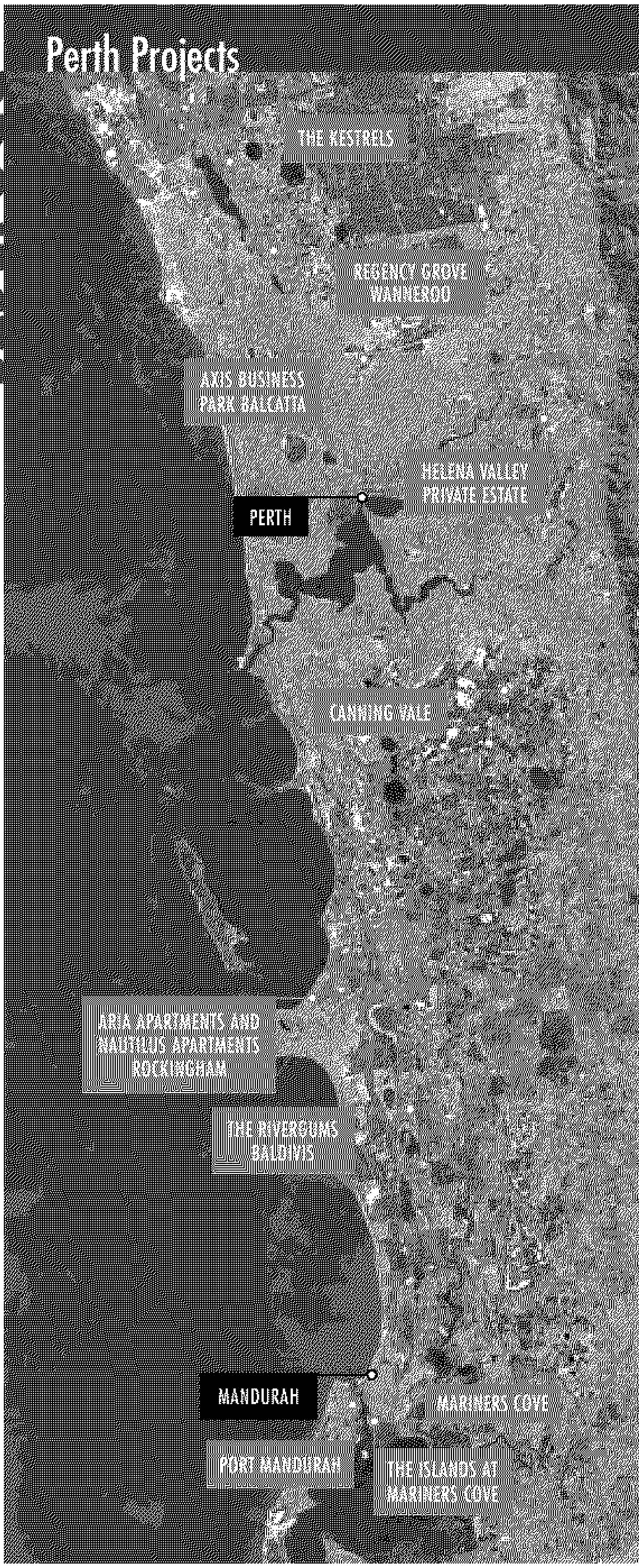
DEVELOPING LAND. DEVELOPING PROFITS.

WEB PUBLISHED VERSION

# CONTENTS

# PROJECTS

## Perth Projects




## ANNUAL PROGRESS

**2001** was a year of developing our 5 year Corporate Plan and building the foundations for growth.

**2002** was a year of acquiring new projects and delivering growth.

**2003** saw the Company deliver a greater range of products and double its earnings per share.

**2004** delivered a record profit based on a well diversified portfolio and focused management team.

**2005** promises further growth in accordance with the company's targets.

## Melbourne Project

Entry statement, The Rivergums, Baldivis

# CEDAR WOODS' OBJECTIVE

## Cedar Woods' primary objective is to create value for shareholders through growth in earnings.

In meeting our primary objective we seek to:-

- communicate the company's progress to shareholders and the investment community;
- satisfy customers' expectations through excellence in property development;
- align the interests of the company and its employees and provide employees with the opportunity of growth and development;
- have our citizenship recognised by the communities in which we operate and be recognised as environmentally responsible; and
- maintain the highest ethical standards.

## About Cedar Woods

Incorporated in 1987, Cedar Woods Properties Limited is a company involved in property development and investment in Australia. Its main interests are in urban land subdivision for residential, commercial and industrial purposes. Its portfolio of assets is located in both Western Australia and Victoria.

The company is listed on the Australian Stock Exchange under the security code CWP and its market capitalisation now exceeds $100m.

The Board and management of Cedar Woods Properties Limited has 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 and design process.

Cedar Woods' projects are sensitively developed in consideration of environmental and community interests and built to a high quality that is renowned in the marketplace. Investors in the company's developed products have enjoyed strong capital appreciation in their investments.

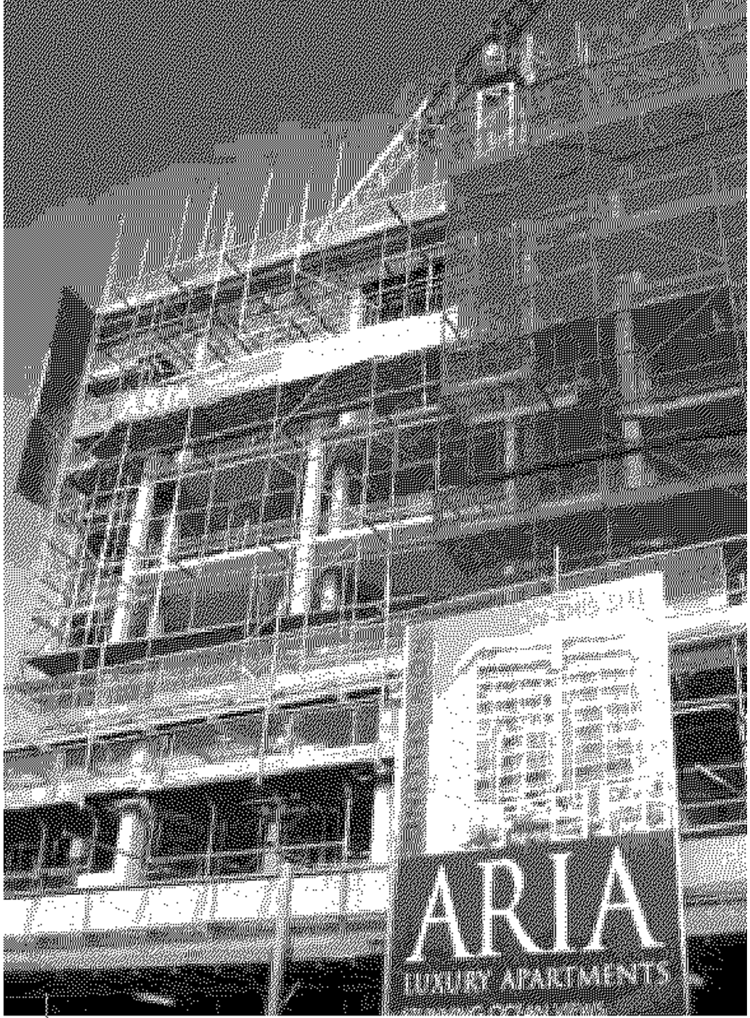
The company has a strong focus on shareholder returns and its record in delivering quality developments to the market has produced a strong earnings stream providing high returns to shareholders.

The company has a portfolio of projects which provide a sound foundation for future growth. Further information is provided later in this report.


The Islands at Mariners Cove

# 2004 HIGHLIGHTS

- Earnings per share increased 39%.
- Dividend per share increased 43%.
- Share price increased 75%.
- Strong sales from all residential projects.
- Successful launch of new residential projects at Tapping and Rockingham in Perth.
- 10 years as a listed company.



Aria Apartments, Rockingham, under construction

## 2004 Financial Results Summary

| Year Ended 30 June | | 2004 | 2003 | % Change |
|---|---|---|---|---|
| Revenue from ordinary activities | $m | 57.2 | 37.1 | 54 |
| Net profit after tax | $m | 10.3 | 7.1 | 44 |
| Total assets | $m | 94.7 | 66.8 | 42 |
| Interest bearing liabilities (bank debt) | $m | 23.3 | 5.9 | 295 |
| Net bank debt to equity - 30 June | % | 48.4 | 15.7 | 32.7 |
| Interest cover | x | 12 | 43 | (72) |
| Return on shareholders funds | % | 21 | 19 | 2 |

## Key Shareholder Information

| Year Ended 30 June | | 2004 | 2003 | % Change |
|---|---|---|---|---|
| Basic earnings per share | ¢ | 20.2 | 14.5 | 39 |
| Dividends per share – fully franked | ¢ | 10.0 | 7.0 | 43 |
| Total shareholder return (1 year) | % | 82 | 100 | (18) |
| Net asset backing per share | ¢ | 90.0 | 74.5 | 21 |
| Shares on issue – end of year | m | 53.3 | 49.4 | 8 |
| Shareholders' equity | $m | 47.8 | 36.8 | 30 |
| Stock Market capitalisation | $m | 90.5 | 47.9 | 89 |
| Share price | $ | 1.70 | 0.97 | 75 |


William Hames - Chairman


Paul Sadleir - MD

## REPORT TO SHAREHOLDERS

**In 2004 Cedar Woods Properties Limited delivered another record result, with net profit climbing 44% to $10.3m and earnings per share enjoying a similar increase.**

The success of the company over the last few years in expanding and diversifying the property portfolio saw revenue grow to a record $57m, a 54% increase over 2003. Revenue flowed from 3 additional projects, assisted by a continuing strong market.

Earnings per share growth exceeded the company's target of 10% pa, increasing 39% to 20.2 cents, and a further 1.3 cents per share was realised from the asset revaluation reserve.

Receipts from customers was a record of $58m (last year $41m) which enabled the company to reinvest $56m in the purchase of new land and development of its projects.

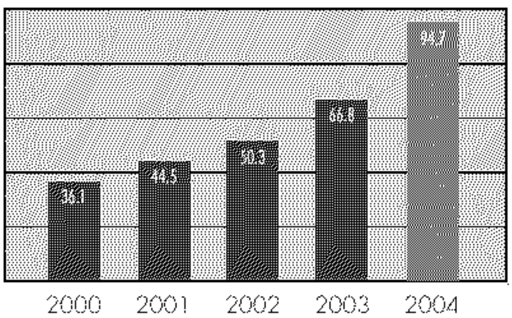
Gearing (net debt to equity) at 30 June 2004 was 48%, within the preferred range of 10-60%. Interest cover was 12, above the minimum target of 6.

Return on shareholders funds of 21% exceeded the minimum acceptable return of 12%.

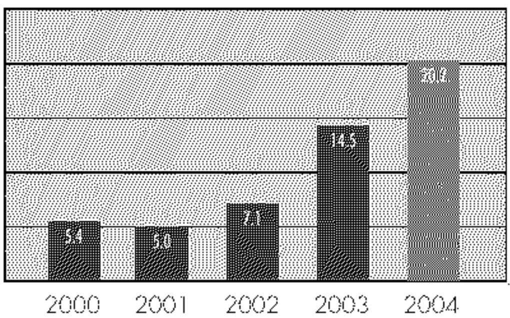
Strong share price gains continued in 2004, with the price appreciating approximately 75%, reflecting market confidence in the company's prospects.

Over the last 3 years shareholders have enjoyed total returns averaging 61%.

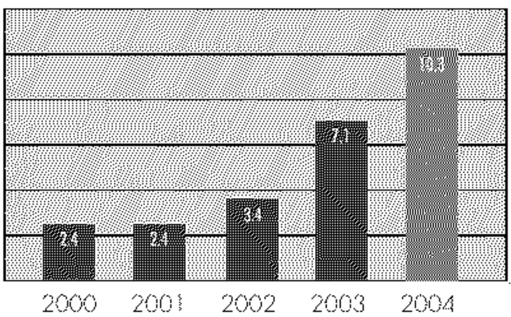
Total Assets ($m)



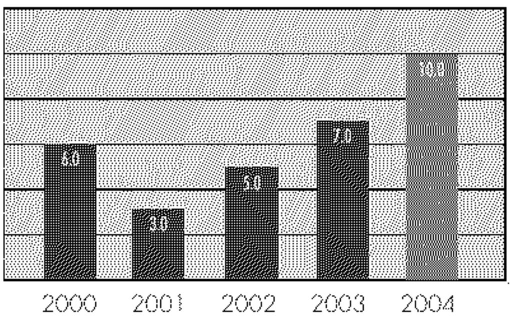

Earnings per share (cents)




Net profit after tax ($)




Dividend per share (cents)



## Dividend and Placement

The directors have declared a fully franked dividend of 10 cents (7 cents in 2003) to be paid on 22 October 2004.

During the year the company completed a $5m placement to strengthen its balance sheet and enable it to examine additional acquisition opportunities. This also broadened the company's share register with new fund managers participating in the placement.

## Projects

During the year a number of important planning and development approvals occurred within the company's projects, details of which commence on page 18.

The company's projects are located in key growth areas that are experiencing strong growth in property values.

Strong sales continued across the company's projects, and significant construction of new stages took place at **Mariners Cove, The Rivergums** and **The Kestrels.**

Both **The Rivergums** and **The Kestrels** received GreenSmart accreditation and their first stages sold strongly.

The **Aria** and **Nautilus** projects demonstrated the strength of demand for beachfront apartments and the **Aria** construction is now transforming the beachfront precinct.

At **Canning Vale,** approvals are in place for terrace and cottage lots and townhouses and apartments, and construction and marketing is now underway.

The Victorian office of Cedar Woods is driving the 275 ha mixed use project at Laverton for which rezoning is currently being sought. The project has been master planned and designed to integrate with a major transit node proposed by the State Government which includes a railway station, bus interchange and freeway interchange.

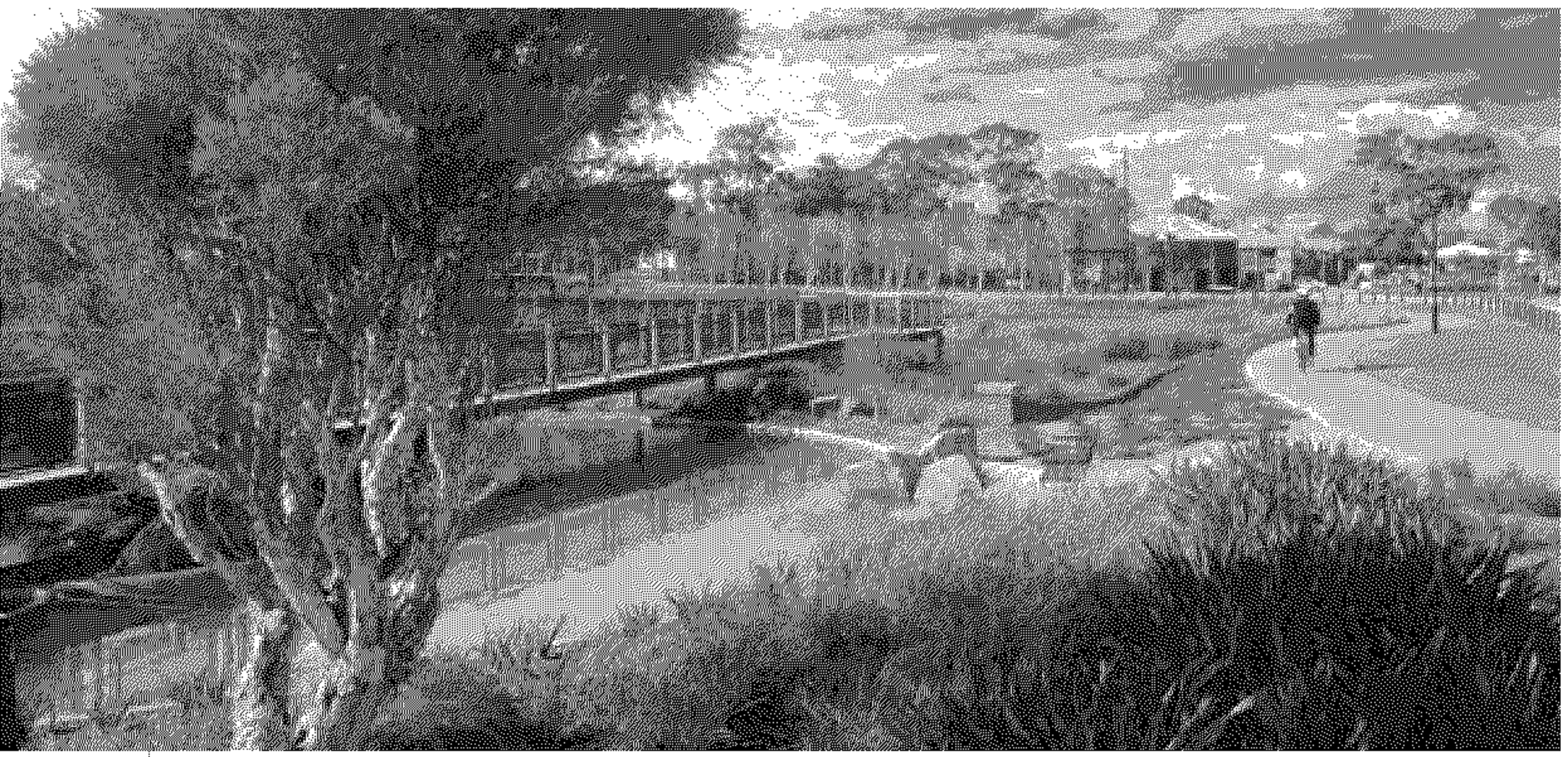
Melbourne's west has seen unprecedented growth in recent years and this is translating into an appreciation in property prices.

One of the key challenges facing the company is the delivery of properties on time and within budget. Activity in the property sector is at record levels and additional emphasis in planning and project management has been necessary during FY2004.

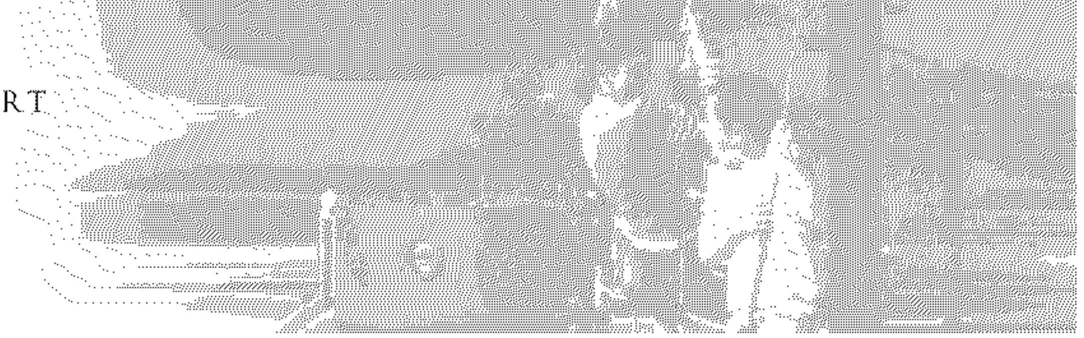
## Corporate Objectives and Strategy

Once again the Corporate Plan was reviewed at a special board meeting which endorsed the plan's key objectives and strategies.

The plan provides a 5 year outlook for the company under a range of scenarios which test various market conditions.



Mariners Cove, Mandurah



and the company's ability to vary the development programme and still provide satisfactory earnings growth.

These scenarios confirm the benefits of having a diversified portfolio of assets located in growth corridors.

The 2004 review again confirmed that consistent delivery of 10% pa growth in earnings per share places the company in the upper half of listed industrial companies.

**Risk factors identified in the plan and often cited by industry analysts include:**

- Increases in interest rates,
- Reduction in Government support for the housing sector,
- Increased competition and changing buyer preferences.

The company's strategies are directed at delivery of earnings growth and in particular addressing key risk factors.

**Progress in these key strategy areas was as follows:**

- Diversification of the property portfolio.

  The company received revenue from 6 projects during the year, up from 3 the previous year, and within the 6 projects was able to offer several different products such as canal lots and cottage lots and completed product in the form of town houses through to apartments.

- Identification and acquisition of new projects.

  The company is now well positioned with sufficient projects to provide earnings growth for the next few years and is therefore able to be highly selective in any future acquisitions.

  Several potential projects are undergoing due diligence and the focus is now on longer term prospects that often provide the potential to add greater value through rezoning and approvals than projects purchased for immediate development.

- Maximising opportunities within the portfolio.

  The company is continually examining its development plans and during the year received approvals to increase the density of development within certain projects, and also established alliances with several leading builders to market housing product and improve the return the company receives for its land.

- Using joint ventures to leverage the company's skill base.

  The company is negotiating joint ventures with several land owners where the company obtains various approvals and undertakes design and development and then receives a profit share as the landowner's land is sold. This both reduces and defers the level of capital required and enables the company to participate in a larger number of projects.

- Retaining ownership of income producing assets.

  Investors and analysts rate highly the property companies with recurrent income.

  Cedar Woods is exploring opportunities at Laverton and Balcatta and will retain the ground floor retail elements at its Rockingham beachfront apartments.

**Considerable resources were directed at meeting the company's non-financial objectives during the year:**

- Shareholder and investor briefings were given in Perth, Melbourne and Sydney and many people took advantage of the company's distribution of announcements by e-mail and website.
- Independent market research was undertaken to provide customer feedback on the company's developments.
- Employee training and development continued and recruitment of additional staff was undertaken to ensure new projects were adequately resourced.
- The company sponsored many charitable and community groups.
- Environmental remediation of land previously degraded by human or rural activities.

## The Housing Sector and the Economy

The Australian economy grew strongly in 2004 with GDP increasing 3.75% and in WA by 6.75%.

Economic growth prospects for 2005 remain strong with forecast growth of 3.5% and 4.5% for Australia and WA respectively.

The housing sector remained strong in 2004, with commencements falling less than expected. At the national level there was a 6% decline and in WA only a 1.5% decline.

In 2005, analysts expect a decline in commencements of around 7% both nationally and in WA.

The company remains somewhat sheltered from these declines by having projects in the Wanneroo and Mandurah areas which are both in the top 20 fastest growing municipalities in Australia.

Housing in Perth also remains the most affordable of the major capital cities in Australia.

## Sustainability

Our two new residential estates both received HIA GreenSmart accreditation and the company continues to incorporate sustainability principles into its developments.

## People

The company is fortunate to have a focussed team with a strong work ethic and desire to innovate and pursue leading edge outcomes.

The company's student recruitment programme has enabled it to engage a number of talented property professionals who are now contributing to the design and development of various projects.

This investment in people is allowing the company to expand its activities and is seeing additional opportunities directed to Cedar Woods as the company's profile increases.

## Corporate Governance

Corporate Governance continued as a major issue for boards around Australia as the ASX's new Corporate Governance principles came into force.

The board aspires to the highest level of Corporate Governance and has ensured its governance principles and practices reflect the ASX requirements and are appropriate for the company and the business environment in which it operates.

The board is also conscious of its duty to ensure the company meets performance objectives.

The detailed Corporate Governance statement is contained in pages 28 to 34.

## Outlook

Despite an expected softening in market demand in 2005, the location of the company's projects in growth areas with sought after product is expected to result in continued strong sales.

The company is budgeting on substantial growth in net profit to between $11 - $12m and expects to achieve its target of 10% growth in earnings per share for FY2005.

The company's portfolio continues to expand and improve in value, with growth for the next several years expected from the projects currently underway and further growth possible from prospects under investigation.

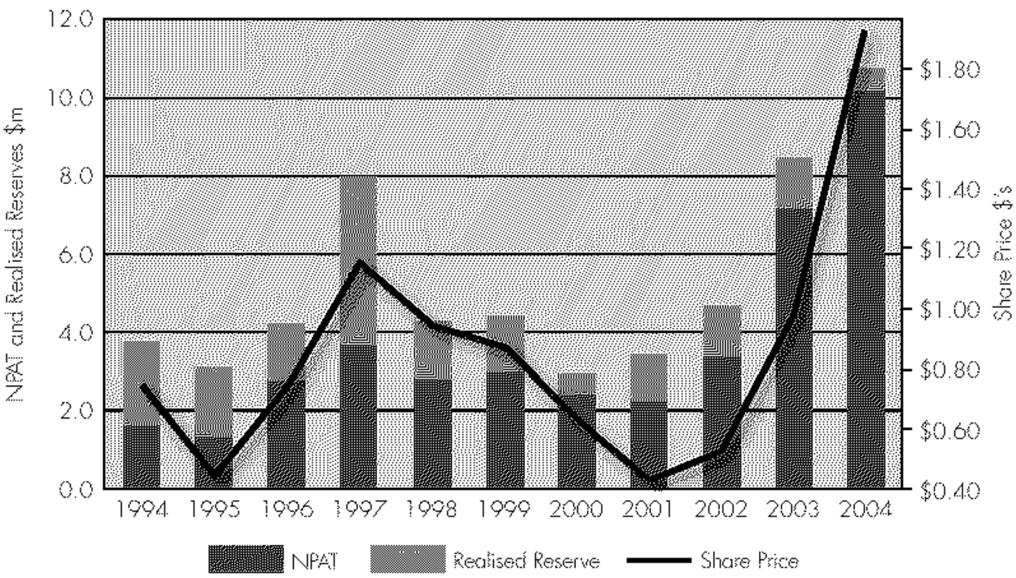
The company remains focussed on its primary objective of growth in earnings and notes the strong correlation between earnings and share price in the 10 years since listing.

Continued profit growth is expected to deliver shareholders increased returns through dividend growth and share price appreciation.

W.G. Hames
Chairman

P.S. Sadleir
Managing Director

Cedar Woods Share Price vs NPAT plus Realised Reserves



# QUALITY ASSETS FORMING A DIVERSIFIED PORTFOLIO

## Waterfront Residential Land

| | Purchased | Developable Area (ha) | Remaining Life (Years) | 2004 Achievements | Growth Opportunities |
|---|---|---|---|---|---|
| PORT MANDURAH | 1990 | 132.5 | 2 | Single lots - sold out | Medium density housing |
| MARINERS COVE | 1993 | 103 | 4 | First island completed | Wider product range |

## Residential Smart Growth

| | Purchased | Developable Area (ha) | Remaining Life (Years) | 2004 Achievements | Growth Opportunities |
|---|---|---|---|---|---|
| THE RIVERGUMS | 2001 | 114.5 | 7 | Outstanding sales | Built form product |
| THE KESTRELS | 2003 | 50 | 6 | Project launched | Retirement and aged care |
| HELENA VALLEY | 1999 (under option) | 8 | 2 | Rezoning progressed | House and land packages |

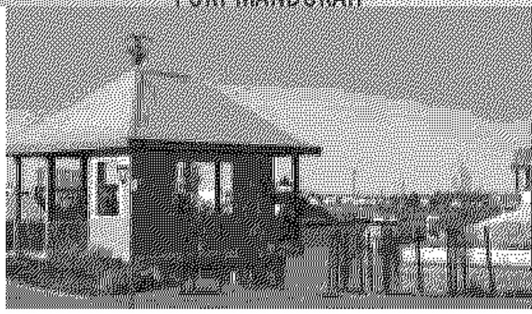
## Mixed Use/Mixed Density

| | Purchased | Developable Area (ha) | Remaining Life (Years) | 2004 Achievements | Growth Opportunities |
|---|---|---|---|---|---|
| LAVERTON | 1998 | 220 | 11 | Repositioning underway | Further Victorian projects |
| CANNING VALE | 2002 | 8.3 | 4 | Planning approval | Leasehold opportunities |
| BALCATTA | 2003 | 6.3 | 3 | Rezoned | |

## Built Form

| | Purchased | Developable Area (ha) | Remaining Life (Years) | 2004 Achievements | Growth Opportunities |
|---|---|---|---|---|---|
| NAUTILUS APARTMENTS | 2003 | 0.5 | 2.5 | 90% pre-sold | Second stage |
| ARIA APARTMENTS | 2002 | 0.2 | 0.5 | Fully pre-sold | |

PORT MANDURAH



MARINERS COVE

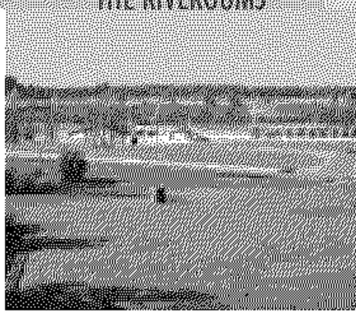
**Attributes**

Waterfront appeal

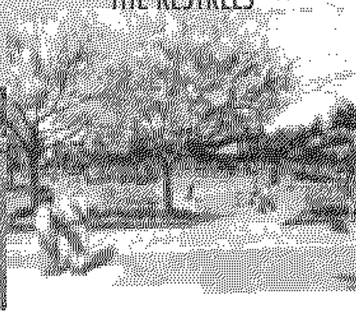
Limited availability

Cashed up "baby boomer" purchasers

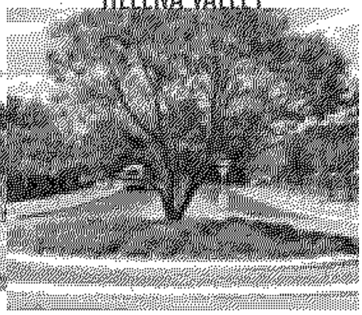
THE RIVERGUMS



THE KESTRELS



HELENA VALLEY



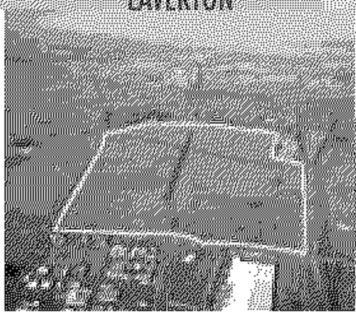
**Attributes**

Growing customer demand

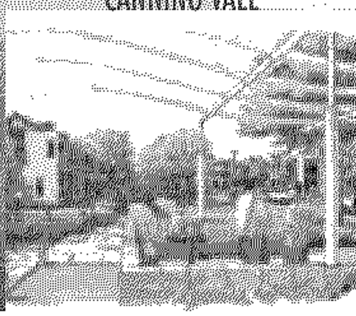
Regulatory drivers

Long project lives

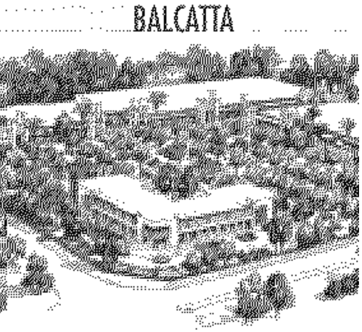
LAVERTON



CANNING VALE



BALCATTA



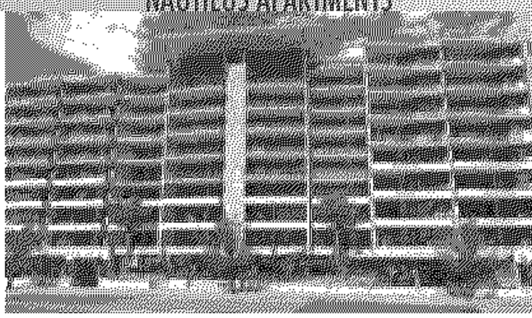
**Attributes**

Multi segment appeal

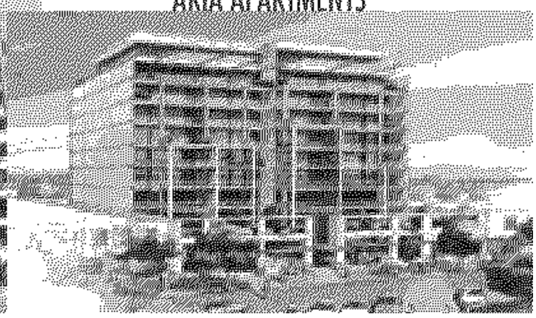
Strategic locations

Long project lives

NAUTILUS APARTMENTS



ARIA APARTMENTS



**Attributes**

Waterfront location

Part of redevelopment precinct

Cashed up "baby boomer" purchasers

First mover advantage

# REVIEW OF OPERATIONS

## The 2004 financial year saw the company deliver further growth in line with its Corporate strategy.

### Financial Highlights

Our growth orientated strategy resulted in:

- 44% increase in net profit after tax to $10.3m
- 39% increase in earnings per share to 20 cents
- 30% increase in shareholders equity to $48m
- 21% increase in Net Tangible Assets per share to 90 cents

## Financial Results

Benchmarked to its primary objective, the company more than satisfied its earnings growth target of 10% by delivering earnings per share growth of 39%. Reference should be made to the financial performance summary on page 78 of this annual report which tables the financial performance of the company over the last 5 financial years. Commentary on the performance of the individual projects in the company's portfolio is set out on pages 18 to 25 of this report.

The result in the second half of the financial year was stronger than the first half, reflecting the increasing contribution of new projects. In summary the results of the two half years were as follows:

| FY2004 | First half | Second half |
|---|---|---|
| Revenue ($m) | 26.4 | 30.8 |
| EBIT ($m) | 7.1 | 8.9 |
| NPAT ($m) | 4.5 | 5.8 |
| Earnings per share (cents) | 9.1 | 11.1 |

## Non-financial results

Some significant non-financial achievements were also made during the year:

- On 31 August 2004 the company reached its 10 year anniversary as a publicly listed company.
- The company established a new 'built form' division and made its first foray into building apartments.
- The Minister for Planning officially opened the internationally significant Creery Wetlands Nature Reserve at Mariners Cove, which features public access and viewing facilities funded by the company on land ceded by the company for conservation purposes.
- The second annual residents' "Christmas in the Park" breakfast was held at Mariners Cove and was attended by more than 200 residents and guests.
- The company made a dedication to the Mandurah community by way of a major sponsorship of "Opera on the Bay", part of Mandurah's annual "Crab Fest" weekend, and by funding acoustic improvements within Mandurah's Performing Arts Centre and through the sponsorship of numerous community groups and events.
- The company similarly supported the Rockingham community through sponsorship of its annual Spring Festival and "Mussel Fest", together with support for various local community groups.
- The company established 2 new "HIA GreenSmart" accredited residential projects – The Rivergums at Baldivis and The Kestrels at Tapping - as part of its commitment to create sustainable, environmentally responsible communities.
- The company completed the development and sale of all residential lots at its original flagship project at Port Mandurah.

The company endeavours to continue to create value for shareholders at the same time as delivering financial and non-financial returns to the communities in which it operates.

## Business risks and competition

Business risk is limited through the company's adoption and ongoing review of its rolling 5 year Corporate Plan and the diversification strategy inherent therein. An integral part of the company's procedures for the acquisition of new projects and the release of new product for sale in existing projects is careful analysis of prevailing economic and market conditions. All new projects and new releases made during FY2004 were analysed as to their likely impact upon the Corporate Plan.

In all instances, the timing and pricing of new releases is carefully considered in the context of existing and foreseen competition, and decisions are made so as to achieve optimum return on investment through a strategic mix of market share and price. In FY2004, the initial release at The Kestrels and Nautilus Apartments and the ongoing release of new stages at The Rivergums and Mariners Cove were all successfully managed to achieve the targeted sales result and, in all cases, the prices achieved bettered the company's initial projections.

## Interest rates and foreign exchange

During the 2004 financial year the Reserve Bank increased official interest rates by 0.5% which resulted in a mild cooling in the property market. The company has a low exposure to the 'first home buyer' market and hence was not unduly affected by the rate increases. Most analysts expect further monetary tightening policy during FY2005 although the extent of this is still expected to be moderate, and the company is anticipating a slight weakening in overall demand in the market in FY2005.

The company's activities are wholly conducted within Australia and hence the direct impact of foreign exchange fluctuations is minimal.

Mariners Cove, Mandurah

## Summary of cash flows

A detailed cash flow statement is provided on page 46 of this financial report. A concise summary of the major inflows and outflows is provided below with comparatives for the previous financial year.

| $m | FY2004 | FY2003 |
|---|---|---|
| **Inflows** | | |
| Receipts from customers | 58 | 41 |
| Proceeds from share issue | 5 | - |
| Net funds raised from (repaid to) financiers | 17 | (3) |
| | 80 | 38 |
| **Outflows** | | |
| Payments to suppliers and employees | 13 | 9 |
| Payments for new land and development expenditure | 56 | 25 |
| Net borrowing costs | 2 | - |
| Taxes paid | 5 | 2 |
| Dividends paid to shareholders | 3 | 2 |
| Other items | 1 | - |
| | 80 | 38 |

The company increased operating inflows from its customers by 41% as a result of the general growth in activities.

The investment in new land inventory and development expenditure more than doubled to $56m, representing a substantial investment in the future of the company. This included over $20m in new land which will provide an asset base to underpin future earnings.

This increase was largely financed by an increase in borrowings with the company drawing on its Corporate bank facility. A capital raising of $5m was carried out during the year to retire a portion of debt and strengthen the balance sheet.

In addition the company made income tax payments of over $5m and increased its dividend paid to shareholders to $3.4m.

## Research and development and technology-related issues

In FY2004 the company has continued to lift the quality of product offered, with a number of research and technology based improvements being utilised. To optimise the performance of its Mandurah based "flagship" developments, the company has for some time regularly researched competitors' pricing and sales performance within the Mandurah residential market and with the company's growth and diversification, this research has been extended to the Rockingham/Baldivis, Wanneroo/Tapping, Canning Vale and Helena Valley/foothills regions. From such research, it is apparent that the development industry as a whole offers a higher standard of product than in the past and in FY2004 it is clear that much of this is technology related, including the provision of enhanced communications services within new estates.

The company considers itself a leader in the inclusion of new technology within its developments, from the highest standards of canal and civil construction to leading edge apartment construction, all of which services a market which has an increasing expectation that it will be offered the latest environmentally friendly, energy efficient technology.

## Impact of Government Policies

There has been little change in the past year in terms of policies affecting the Western Australian property development industry, other than a brief stalling of the first home buyers' market in June 2004 upon the announcement that stamp duty would be abolished for first home buyers on 1 July. This had little impact on the company's operations as very little of its product is aimed at or priced within reach of first home buyers.

While sustainability assessment remains on the Government agenda, the year did not see the advent of a mooted Sustainability Scorecard, but this is expected to be introduced in FY2005.

## Environmental performance

Environmental best practice remains one of the company's major objectives. Environmental issues are a prime consideration in the company's due diligence process when selecting new projects.

Before any project is acquired, formal environmental management plans are formulated so that specific site conditions can be considered and any impacts can be minimised and managed. A strategy for net environmental benefit is very much a part of the plans. As testament to this strategy, the company has been recognised for its efforts in receiving the Urban Development Institute of Australia's 2003 National Award for Environmental Excellence with respect to its Mariners Cove development. The company also won the inaugural Housing Institute of Australia's GreenSmart Development of the Year Award in 2003.

The Mariners Cove project includes a major portion of an internationally recognised migratory waterbird habitat, the Creery Wetlands, which had been substantially degraded by past practices of previous landowners and other human activities. The company has undertaken, at considerable cost, works that will ensure the long term viability of the reserve for future generations. Works include the establishment of a vermin proof fence around the perimeter of the site, boardwalks, pathways, interpretive signage, shelters and bird hides. Degraded areas caused by vehicles have been ripped and decompacted and then successfully revegetated. An educational website has been developed to inform the wider community of the attributes of the reserve and its diverse flora and fauna. Visit **www.creerywetlands.info** to find out more.

The company has recently embraced the Housing Industry Association's GreenSmart initiative and has been accredited as an HIA GreenSmart partner. The HIA GreenSmart programme is the name used to describe actions for builders, developers, consultants and local authorities that are working to improve the environment together with their products and services. The accreditation has required training for senior management and other staff and has entailed the implementation of GreenSmart principles in the company's latest projects, The Rivergums at Baldivis and The Kestrels at Tapping. These projects embrace the following environmental principles:-

- Energy efficiency through maximising solar orientation and minimising energy use of households via design guidelines and incentives.
- Waste minimisation and recycling of waste material from all sites.
- Retention of native and existing trees and vegetation.
- Water conservation through water sensitive urban design principles and design guidelines for home owners.
- Stormwater and nutrient management of runoff.

Within The Rivergums project, a revegetation programme has also commenced for a degraded wetland and an adjoining public nature reserve.

Rivergums Boulevard, The Rivergums, Baldivis

## Community Involvement

The company continues to play an ongoing role in the establishment of community initiatives within its estates and has consistently been rewarded with a good reputation and a significant number of repeat purchasers.

Since the early days of the establishment of the Port Mandurah Canals community, company representatives have participated in meetings of the local Residents' Association and have acted as a liaison point between the association and the local Council on matters related to the maintenance and use of the canals and the project in general.

In December 2002 the company organised an inaugural residents' Christmas gathering at Mariners Cove which was extremely well attended and fostered great community spirit. This event was successfully repeated in December 2003 and the residents have now established their own residents' association and Neighbourhood Watch group.

The company is also a strong supporter of a wide range of community groups through sponsorship. This year the company sponsored no less than 14 groups or events in the Mandurah area, ranging from naming rights sponsorship of "Opera on the Bay", part of Mandurah's annual Crab Fest, to funding acoustic improvements within Mandurah's Performing Arts Centre and the sponsorship of numerous local sporting and charity groups.

The company similarly supported the Rockingham community through sponsorship of its annual Spring Festival, New Year's Eve fireworks and "Mussel Fest", and has commenced sponsorship arrangements with local sporting and community groups in both the Rockingham/Baldivis and Wanneroo/Tapping areas.

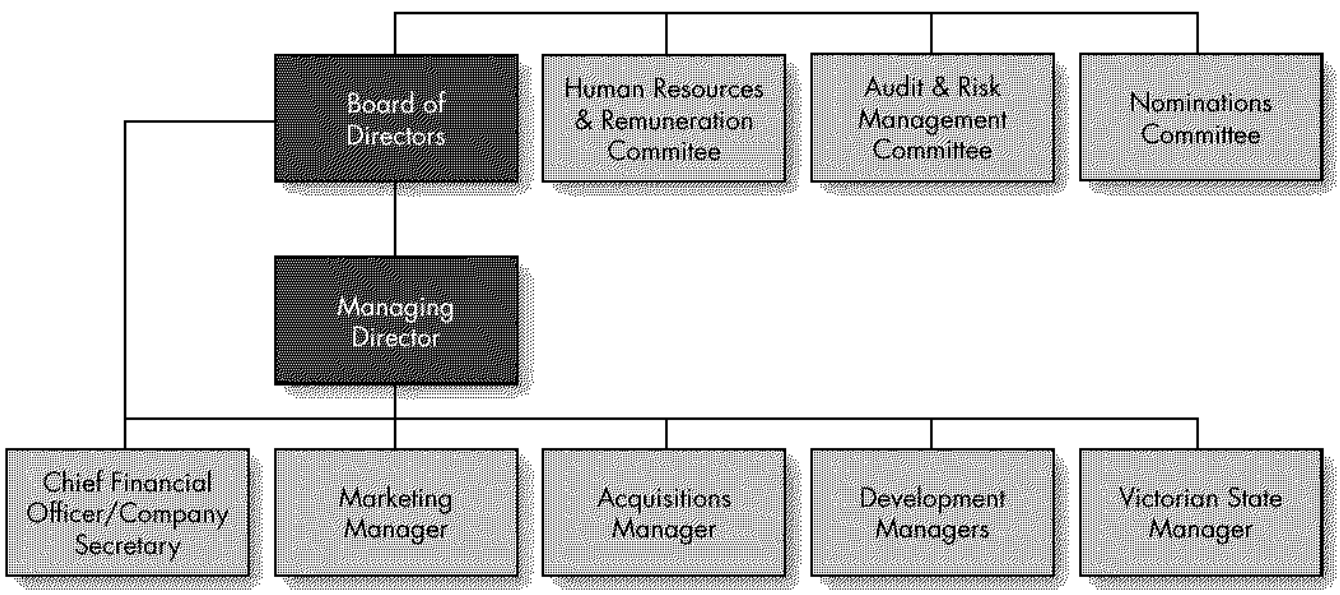
## Outlook for the Organisation

The Board is confident that the Company can continue to grow, despite moderating demand in the property sector, due to its diverse portfolio and the ability to identify profitable opportunities in various market sectors.

The last four years have seen the depth of management grow and this is adding to the company's ability to deliver a wider range of products and higher profitability for shareholders.

Recent acquisitions have underwritten growth for the next few years and the company now has more opportunities available than ever before.

## Organisation Structure



## Personnel

### People

The company has continued to develop policies and programmes during the year that seek to enhance the productiveness, education, safety and fulfilment of employees.

The company seeks to provide appropriate training and development programmes for its employees which are of benefit to the company. The company participates in a number of property industry related training programmes including the HIA GreenSmart Training and Accreditation Course. The company assists a number of staff with tertiary employment activities leading to degree qualifications and is an accredited employer with the Institute of Chartered Accountants for the CA Program.

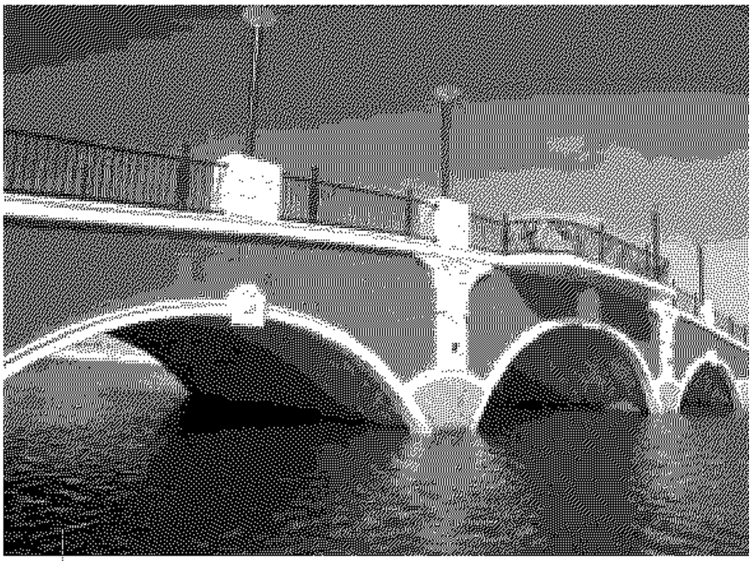
The company holds safety for its employees, contractors and residents as paramount to its operations. Health and safety plans for safe working environments for these stakeholders have been implemented in accordance with occupational health and safety regulations.

As a property developer where large, heavy machinery is used by contractors on its various sites, safety is always a priority. To date the company has not had any significant safety incidents on any of its sites and is continually requiring its contractors to ensure that the possibility for such an incident is minimised. A risk assessment and appropriate management plan for each site is prepared prior to any works being carried out.

The company conducted a review of its internal polices and procedures during the year which included a review of the Code of Conduct which must be observed by all employees.

The overriding principles contained in the Code of Conduct are that all employees, including directors, shall:

- Conduct their duties fairly and honestly.
- Treat other stakeholders fairly and without discrimination.
- Conduct business on an arms length basis free of any influences which are inconsistent with the company's objectives.
- Conduct themselves in accordance with the law, The Listing Rules of the Australian Stock Exchange, the company Constitution, local by-laws and other relevant rules or obligations imposed by organisations which govern the markets or jurisdictions in which the company operates.
- Strive to the highest possible levels of personal conduct.
- Maintain a safe working environment.

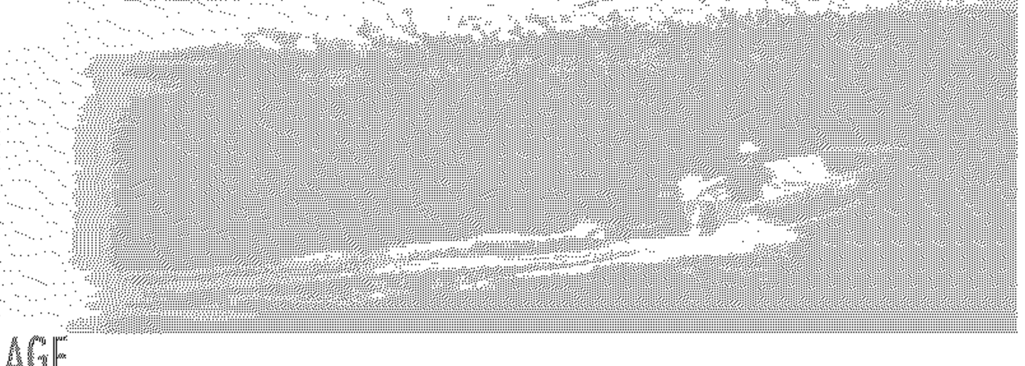


The Islands at Mariners Cove, Mandurah

Selection of employees is made such that no discrimination will be made on the basis of ethnicity, religion, gender or age. Salaries for employees are benchmarked to the relevant market and independent reviews are held every 3 years. Employees may select any complying superannuation fund for the purpose of the superannuation guarantee scheme. Certain employees are invited to participate in the employee share plan. For details of the plan please refer to Note 35 of the financial statements on page 71.

The company has a range of processes in place relating to performance evaluation of employees. The annual performance planning and review of employees involves each employee being evaluated by the Managing Director (or in the case of the Managing Director, the Board). The employee's performance is evaluated against objectives that were set at the commencement of the year. Periodic reviews are held during the year to assess progress and a final review is performed at the completion of the year.

The company has taken steps during FY2004 to develop Occupational Health and Safety policies and procedures which it requires its staff, its consultants and contractors to adhere to. These measures have minimised on site accidents and lost time from injuries.



# MARINERS COVE COMES OF AGE

## After more than a decade and almost 700 lots, The Port Mandurah Canals success story is coming to a close.

Very much the company's flagship development in the 1990s, Port Mandurah has served the company well since the release of Stage 1 in the early 1990s through to the sale of the last lot early this year.

Aerial view of Mariners Cove and Port Mandurah looking west

The remaining development site is the Sutton's Farm site which is earmarked for a $20m medium density residential waterfront development in harmony with the conservation of the heritage listed farm buildings.

Over the life of the project, a range of product has been offered to the marketplace, including both single residential and medium density lots, and there has been steady growth in the prices obtained for this premium waterfront product. The company has consistently raised the standard of development at Port Mandurah, and this is evidenced by the project having won no less than four Urban Development Institute of Australia (UDIA) Awards for Excellence.

## Mariners Cove – another success story

Mariners Cove has gone from strength to strength this year, with strong sales in both canal lots and traditional lots.

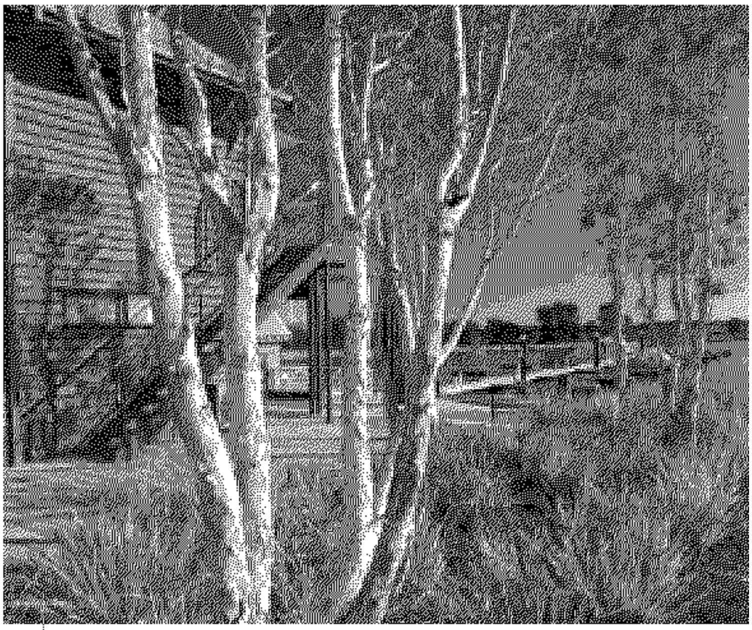
"The Islands at Mariners Cove" has captured the imagination of many who have realised the unique opportunity to overlook the Creery Wetlands and waterways of the Peel Inlet whilst being located only minutes from the centre of Mandurah.

The traditional lots within Mariners Cove also enjoy a close relationship with the wetlands reserve and have experienced a pronounced increase in value in recent times, with many residents buying and building again.

In less than 6 years of marketing, more than 400 lots have been sold, and there has been consistent growth in the rate of sale and the prices achieved for both canal lots and traditional lots over this period.

The high standard of development undertaken at Mariners Cove, particularly in relation to the handling of complex environmental constraints, has been widely recognised with the project winning, in its formative years, State and National UDIA Awards for Environmental Excellence and the inaugural Housing Industry Association (HIA) GreenSmart "Development of the Year" at the State level.

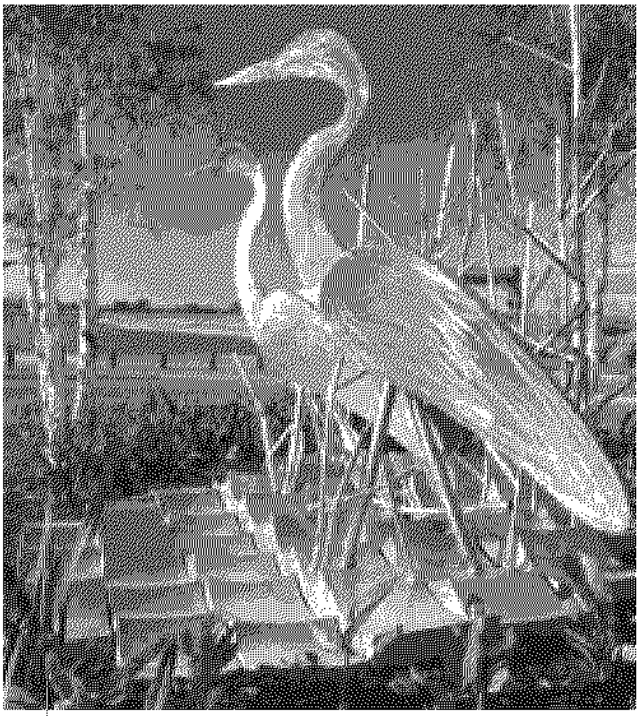
The project has become something of a national icon of quality waterfront residential development and is regularly visited by interstate property professionals on their visits to the West. It is also now widely recognised as an important



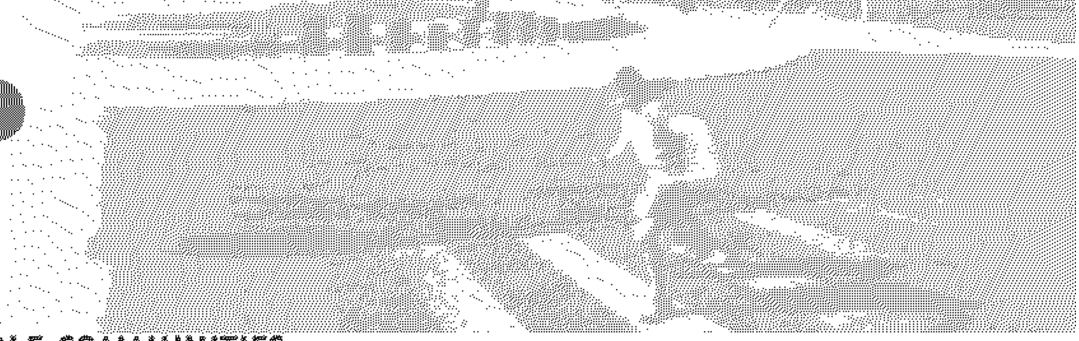
Mariners Landing and marina, Mariners Cove

asset to the wider Mandurah community with the official opening of the Creery Wetlands Nature Reserve during the year.

In a year where the notion of "sustainable development" has emerged as the latest measuring stick for the property development industry, Cedar Woods has embraced this concept in anticipation of increased market awareness and preference for a more sustainable lifestyle.



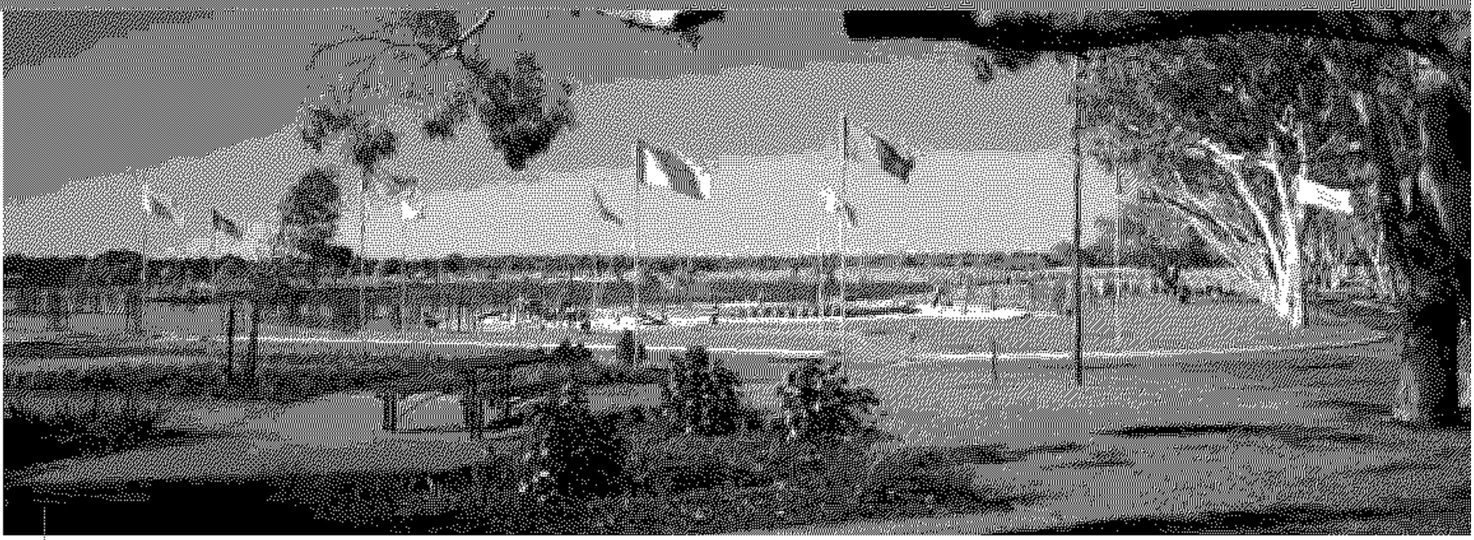
'The Egrets' public art, Mariners Cove



# DEVELOPING SUSTAINABLE COMMUNITIES

Cedar Woods' two latest estates - The Rivergums and The Kestrels - have achieved HIA "GreenSmart" accreditation.

Only lately have developers begun to actively foster subdivisional layouts which optimise the ability for home builders to achieve maximum energy efficiency.



The Rivergums, Baldivis

In recent years there has been a noticeable swing towards a "greener" lifestyle and a living environment which fits comfortably within the natural environment and offers the opportunity for more energy efficient living. To date, however, much of the energy efficiency agenda has been left to the house designers and only lately have developers such as Cedar Woods begun to actively foster subdivisional layouts which optimise the ability for home builders to achieve maximum energy efficiency from their house designs.

Cedar Woods' two latest estates - The Rivergums at Baldivis and The Kestrels at Tapping - have each achieved the Housing Industry Association's "GreenSmart" accreditation by having a majority of lots which have satisfactory solar orientation and a number of energy efficient measures which purchasers are required to conform with or adopt.

The strong opening of The Rivergums, which saw an astounding close to FY2003 when almost 60 contracts were signed in two weekends, proved no aberration – the project has gone from strength to strength in the year with sales greatly exceeding the company's expectations.

While it is clear that the land was initially pre-released to a very "hot" market, the sustained sales success during the ensuing 12 months is testimony to the company's ability to convey to the market the promise of a sustainable community, with particular attention to environmental imperatives, and a guarantee of Cedar Woods' renowned high standard of development and ongoing commitment to building new communities.

The project is now in its third stage of development and the first residents are just moving into their new homes in Stage 1, the development of which has captured interest from far and wide, with a state of the art playground drawing visitors from adjoining estates.

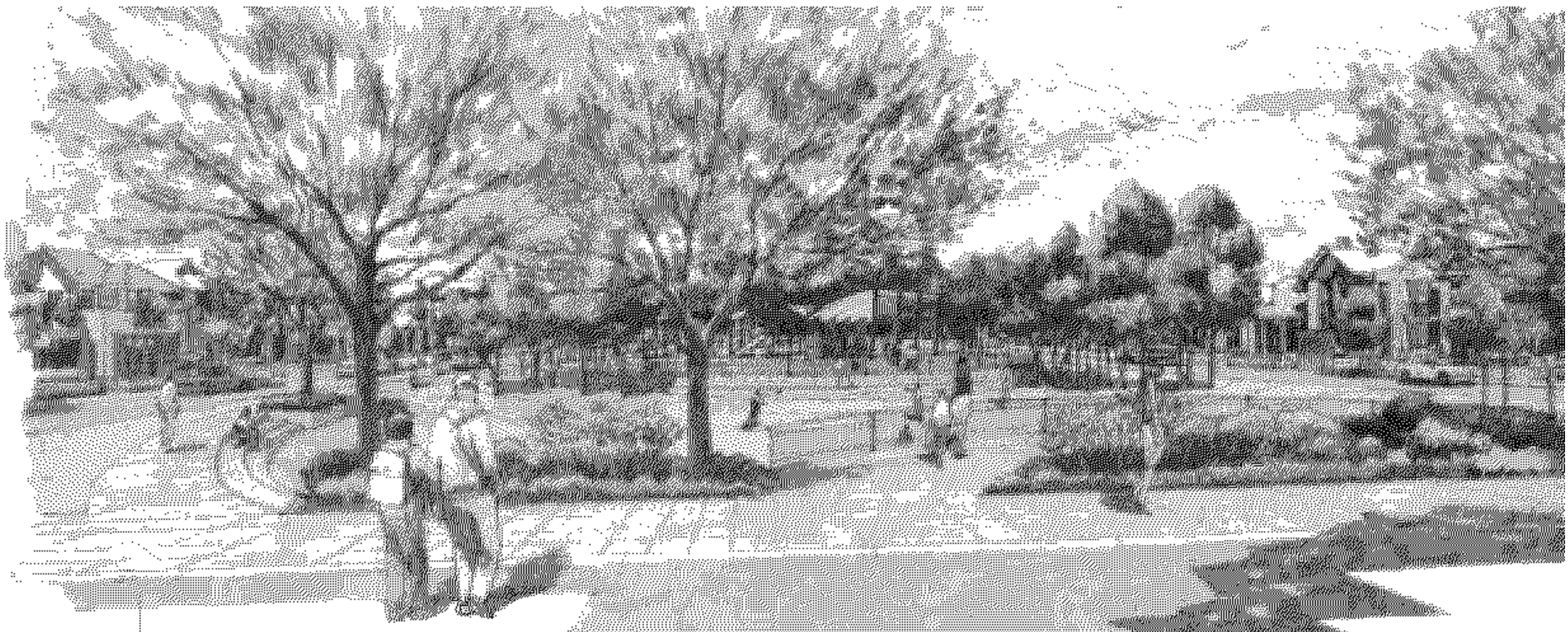
More than half of the houses in the new homes display village are under construction and the village is expected to open in October 2004. The company is encouraging each of the display builders to attain GreenSmart accreditation for their display house and utilise "Waterwise" principles in their gardens, in order that the village as a whole can achieve Waterwise accreditation and become a leading demonstration facility for energy efficient principles.

The initial pre-release at The Kestrels at Tapping in January 2004 was also well received in the marketplace. A limited release of traditional lots in Stage 1 was so well subscribed that once again Stage 2 had to be rushed to the market to satisfy demand.

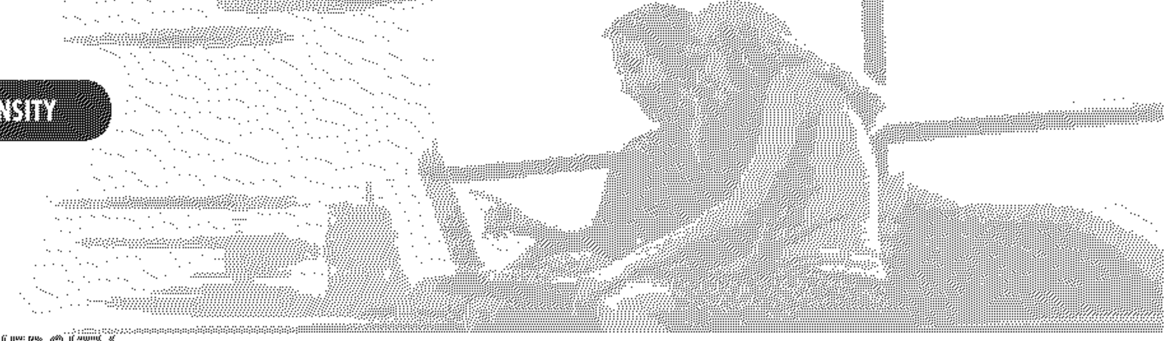
Construction of Stage 1, including a showcase central park, commenced in the latter part of the year and is expected to be complete well before Christmas 2004, with a new homes display village expected to open around Easter 2005.

The Rivergums, Baldivis

A major milestone was achieved at Helena Valley during the year, with the rezoning of the landholding under the Metropolitan Region Scheme after a protracted advertising and Parliamentary approval process. The local rezoning and subdivision approval are expected to follow in the first half of FY2005 with the marketing and development expected to occur in the second half.



Artist's impression of the central park at The Kestrels Stage 1



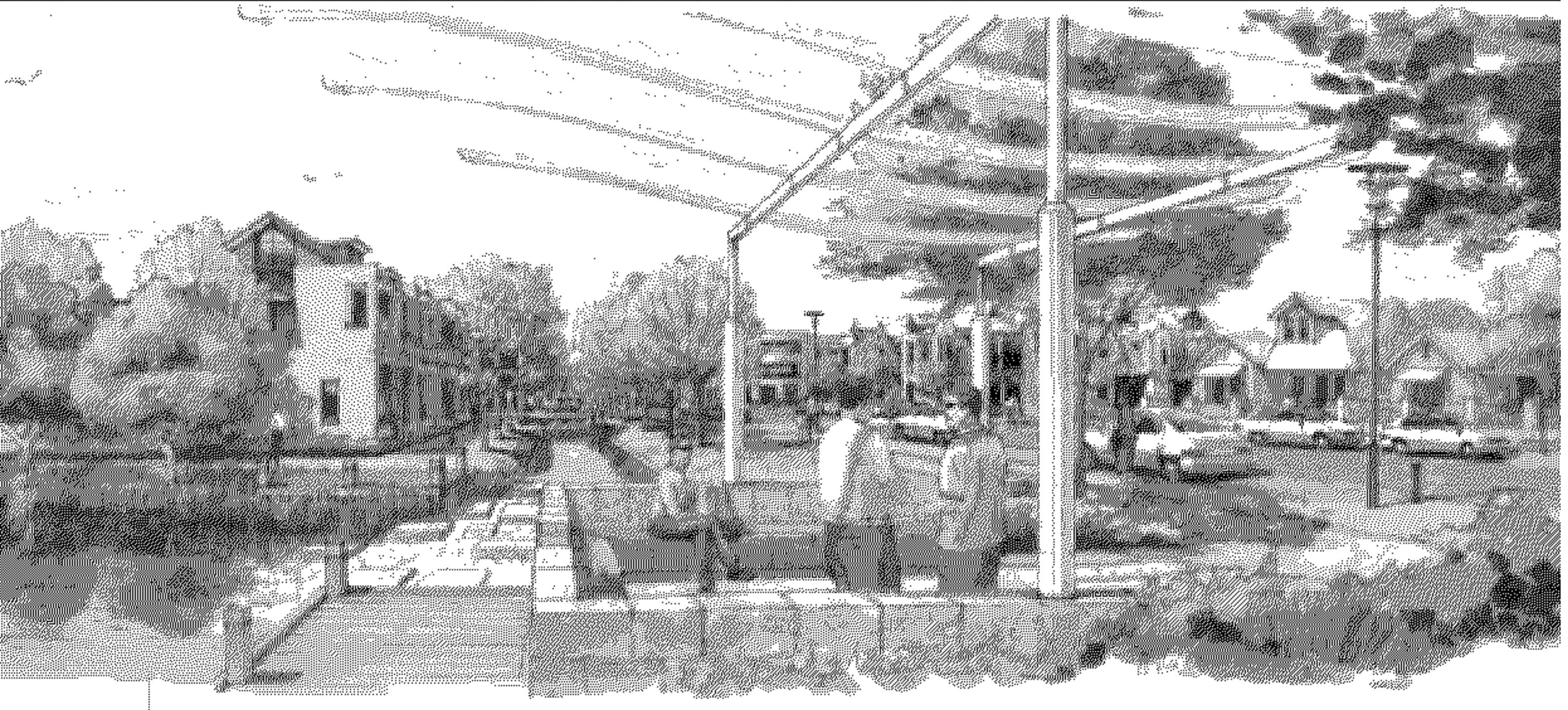
# IN PURSUIT OF DIVERSITY

Transit-oriented mixed use project, mixed density residential and small industrial lots make a diverse portfolio.

The Victorian office of Cedar Woods is driving the rezoning of the 275 ha Laverton mixed use project.

Plans for the development of the mixed density residential project at Canning Vale were approved by all relevant agencies.

The company's Balcatta site will be subdivided following strong demand for smaller industrial lots.



Canning Vale - Artist's impression

This year, the company continued to make significant progress towards a more diverse portfolio of projects through the advancement of proposals for its transit-oriented mixed use project at Laverton in Victoria, its mixed density residential project at Canning Vale south of Perth and its commercial/industrial project at Balcatta north of Perth.

Our Victorian branch office in Melbourne continues the company's expansion, and during the past year substantial progress has been made with local and State planning agencies towards achieving an agreed plan and programme for the development of our strategic western Melbourne site at Laverton.

The Victorian office of Cedar Woods is driving this 275 ha mixed use project for which rezoning is currently being sought. The project has been masterplanned and designed to integrate with a major transit node proposed by the State Government which includes a railway station, bus interchange and freeway interchange.

Aerial view of Laverton

An international design team was appointed for the project and a 4 day workshop held to produce a masterplan for the site. Representatives from both State and Local Government attended the workshops and contributed to the design. A showcase design outcome has resulted and the documentation of this work is underway.

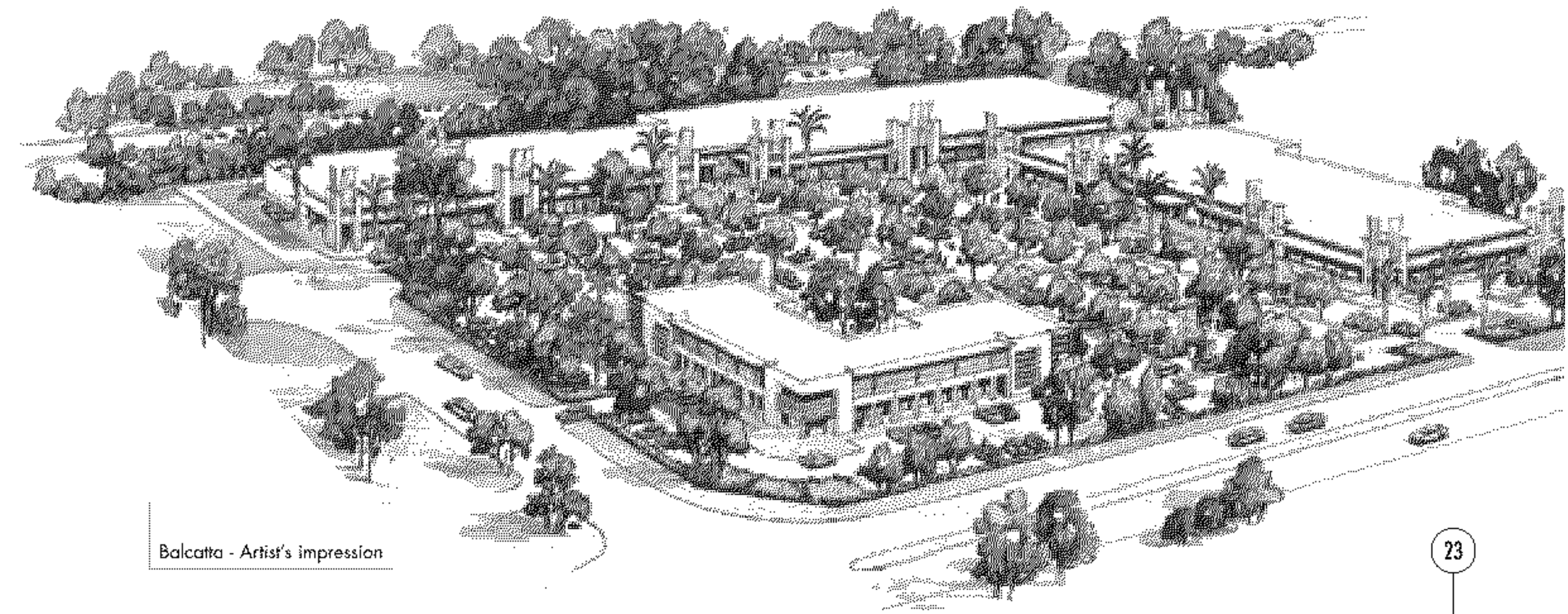
The implementation of the transport infrastructure has progressed significantly this year. The State Government has announced a $22.6m funding package for the Palmers Road project which includes a new freeway interchange. This project provides direct freeway access to and from the site and access to the proposed station. Design work and patronage studies for the proposed railway station were undertaken by the Department of Infrastructure and a funding proposal is being prepared. When complete the project will be a major transit node servicing Point Cook and Laverton. The masterplan for the site proposes full integration with these transit facilities.

Melbourne's west has seen unprecedented growth in recent years and development is filling in around the Laverton site. Property values in the area are increasing and the site is strategically placed to capitalise on this growth and to create an urban focal point for the region.

Plans for the development of the company's mixed density residential project at Canning Vale in Perth's inner south eastern suburbs were approved by all relevant agencies during the year. The plans include terrace and cottage lots, townhouses and apartments.

Aimed at providing a wider choice of lifestyles for the maturing Canning Vale community, a pre-marketing campaign undertaken during the year has generated a huge enquiry list and confirmed our perception of the market for this product in this location.

The bulky goods centre planned for the company's site within the Balcatta garden industrial zone in Perth's inner northern suburbs was not successful, but the company has received strong interest in smaller industrial lots and will subdivide the site to meet this demand. The plan of subdivision is expected to be approved in 2004 and the subdivided lots are expected to sell over two financial years.



Balcatta - Artist's impression

# BUILDING VALUE

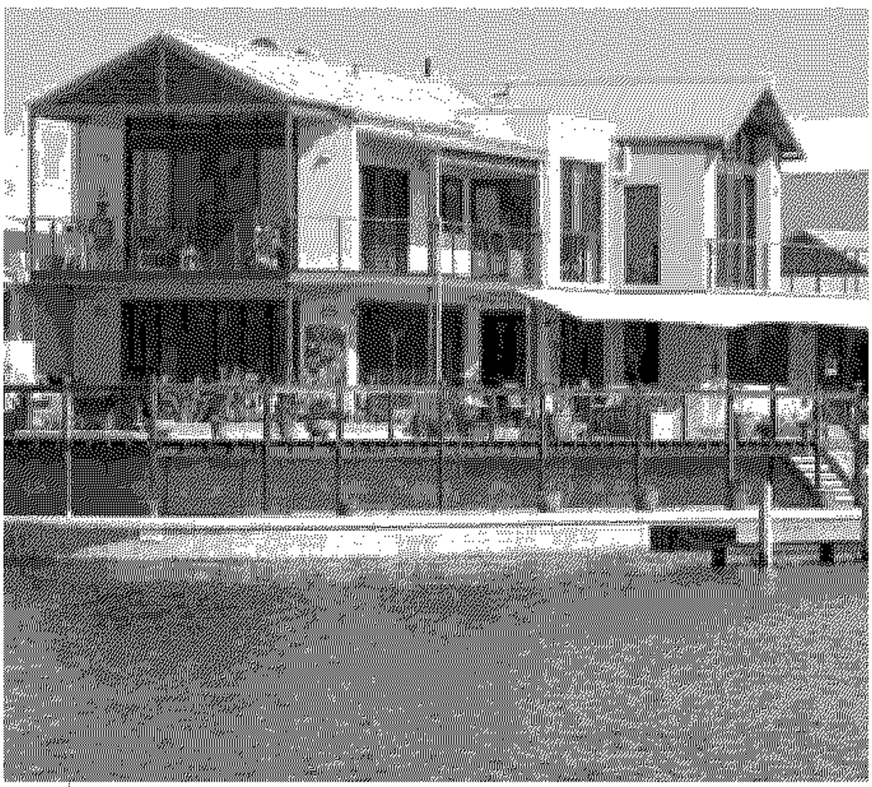
## Residential housing adds value to beach front land projects, further built form planned.

Following the highly successful pre-selling of Aria Apartments, most of Nautilus Apartments first stage have been pre-sold.

During the year, while the company's prime focus continued to be land subdivision, the opportunity to value add within its own projects and participate in different market segments was further advanced through the successful marketing of Aria Apartments on the Rockingham beachfront, closely followed by Nautilus Apartments in the same area, and through the advancement of proposals for further waterfront townhouse developments within Mandurah similar in nature to the highly successful "Promontory" development within the company's landmark Port Mandurah Canals development.

The Promontory at Port Mandurah was Cedar Woods first foray into constructing residential housing on its own land. The last of the 32 architect designed townhouses sold off the plan in early FY2004 and only one home within the project has yet to be completed and occupied. Also within the Port Mandurah Canals development lies a development site occupied by three heritage listed buildings, which comprise the farm buildings from the original landholding. During the year a number of alternative proposals for this site have been progressed and discussed with the relevant authorities and the company's preferred option is expected to be lodged for development approval early in FY2005.

At Mariners Cove, three sites have been identified within the canal zone as being suitable for a "Promontory" style development and, subject to the local authority's final approval of the required density change to the project's outline development plan, a scheme for the first of these sites is expected to be developed and lodged for development approval during the first half of FY2005.



The Promontory, Port Mandurah

During the year, all 32 apartments comprising "Aria Apartments" on the Rockingham beachfront, some 30 minutes south of Perth, were sold "off the plan". Construction was commenced and completion and handover for occupation is expected in the second half of FY2005. With the majority of buyers being owner-occupiers from the local beachfront suburbs, this outstanding pre-construction sales success is yet another endorsement to the company's ability to identify and capitalise on niche markets.

Following on the success of Aria, the company launched the pre-marketing of its second project on the Rockingham beachfront, known as Nautilus Apartments, over the latter part of summer. Once again, an outstanding pre-selling effort has seen the majority of the first stage of 62 apartments contracted, enabling the company to consider the early construction of the development. As at the end of FY2004, negotiations were proceeding pursuant to a construction tender process, with the likelihood that construction will commence in the first half of FY2005.

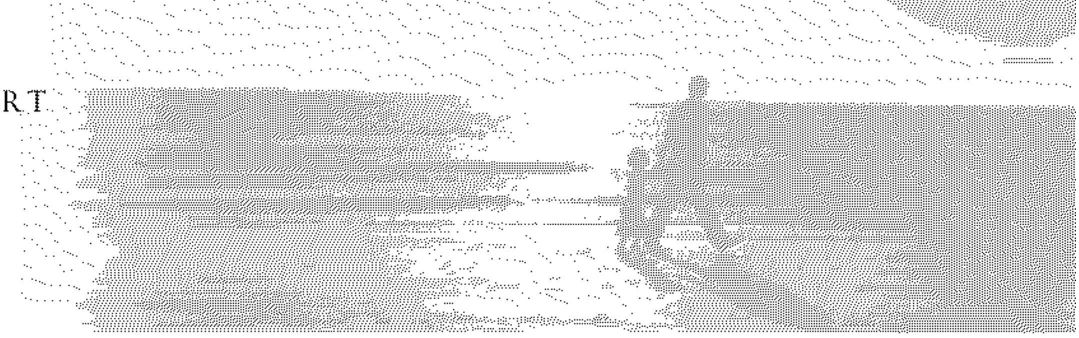
Further built form opportunities were pursued during the year in Mandurah, Rockingham and the inner suburbs of Perth, and the company expects to be able to make announcements of its newest built form projects early in FY2005. It is expected that this market segment will grow in importance for the company's overall performance.


Aria Apartments, Rockingham - Artist's impression


Nautilus Apartments, Rockingham - Artist's impression


Aria living area - Artist's impression


Aria bedroom suite - Artist's impression



# BOARD OF DIRECTORS

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

- Chairman of the Board of Directors, Non-Executive Director
- Member of the Nominations Committee

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 which has offices in Australia and New Zealand. Mr Hames has served as a director for 14 years.

**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 Housing Society, Director of Australian Wine Holdings Ltd, and Past President of the Federation of Building Societies of W.A. He has participated in and chaired various Western Australian government advisory committees related to the housing industry. Mr Brown is Executive Chairman of several family companies involved in various business activities. Mr Brown has served as a director for 16 years.

**Mr Dwane P Buckland** BA (Econ), FAICD

- Independent, 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 Buckland is a businessman with a wide range of experience in public companies. He is the former Managing Director of Metro Industries Ltd, and a former director of Alinta Limited. Mr Buckland has served as a director for 10 years.

Left to right - Robert Brown, Paul Freedman (Co Secretary), Paul Sadleir, William Hames, Dwane Buckland and Loh Kee Kong.

**Mr Loh Kee Kong** B Acc, CPA

- Non-Executive Director
- Member of the Audit and Risk Management Committee

Mr Loh has a degree in accountancy from the University of Singapore and is also a member of the Institute of Certified Public Accountants of Singapore. Mr Loh is also Executive Director of Chuan Hup Holdings Ltd, PCI Ltd and CH Offshore Ltd which are publicly listed companies in Singapore, where he is a resident. Mr Loh has served as a director for 9 years.

**Mr Paul S Sadleir** BE, MBA

- Managing Director

Mr Sadleir has extensive experience in the property sector and previously was manager of the Bunnings Warehouse Property Trust. Mr Sadleir holds a Master of Business Administration and Bachelor of Engineering degrees from the University of Western Australia and has completed a number of senior management programs, including the AIM – Harvard Business School Executive Forum. He is also a member of the Australian Institute of Company Directors, and an affiliate of the Australian Property Institute. Mr Sadleir brings to Company extensive skills in strategic planning, portfolio management, acquisition analysis, equity and finance raising, and investor relations management. Mr Sadleir was appointed managing director on 1 November 2003

**Mr Stanley J Brown**

- Alternate director for Mr Robert S Brown

Mr Brown is a businessman with a wide range of family business interests.

# COMMUNITY CREATION & SPONSORSHIP

The Serpentine-Jarrahdale "SJ Blues" Cricket Club's Premiership winning Grade 2A team

Gino Monaco left and Michael Glendinning right, with Sam Fin, her son Jack James with her partner Paul James, first residents of The Rivergums

Gino Monaco left and Michael Glendinning right, with the Abreu Family - Winners of The Rivergums community consultation questionnaire

Face painting at the Christmas Party, Mariners Cove

Christmas Party, Mariners Cove

# CORPORATE GOVERNANCE STATEMENT

Cedar Woods Properties Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

An extensive review of the Company's corporate governance framework was completed in February 2004 in light of the Best Practice Recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003. The Company's framework complied with many of the recommendations, however a number of changes were made as a result of this review or other recent governance developments. These changes are referred to in this statement.

Where the company's procedures are not in compliance with the Best Practice Recommendations, this is referred to below. It is noted that the Best Practice Recommendations are not compulsory for listed companies but that an explanation is required where compliance is not achieved.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

## The Board of Directors

The Board is accountable to shareholders for the performance of the company. The Board sets the company's strategic direction and delegates responsibility for the management of the company to the Managing Director. The company's strategic plan is prepared by management and is reviewed annually by the Board at a special Board meeting.

The Board operates in accordance with the broad principles set out in its charter which is available on the company website. The Charter details the Board's composition and responsibilities.

## Composition of the Board

The charter states:

- The Board should comprise between 3 and 10 directors.
- The Board should comprise directors with a broad range of skills and experience that are relevant to the property development industry and so that it has a proper understanding of, and competence to deal with, the current and emerging issues of the business.
- A majority of the Board should be non-executive.
- The Chairman is elected by the full Board.

At present, having regard to the size of the company and the present composition of the Board, the Board does not consider it necessary for a majority of the directors to be independent, as required by Best Practice Recommendation 2.1. However, future appointments to the Board will be made having regard to the desirability of balancing the Board towards a greater number of independent directors.

The Board will make future appointments for the position of Chairperson having regard to the desirability of appointing an independent director to the position, subject to the director having satisfied other eligibility criteria established by the Board at the time of appointment.

The company's constitution specifies that all directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting following their last election. Where eligible, a director may stand for re-election.

## Board responsibilities

The responsibilities of the Board include:

- Setting the company's values and standards of conduct and ensuring these are adhered to in the interests of all stakeholders.
- Approving policies, strategies, budgets, and plans.
- Assessing performance against strategies to monitor both the suitability of those strategies and the performance of management and the Board itself.
- Reviewing operating information to understand the company's position, and approving financial and other reporting.
- Identifying areas of significant business risk and ensuring systems and procedures are in place to manage those risks.
- Considering management recommendations on key issues – including acquisitions, funding and significant capital expenditure.
- Ensuring that the company acts legally and responsibly on all matters and that the highest ethical standards are maintained.
- Appointing, terminating and reviewing the performance of the Managing Director.
- Ratifying the appointment and, where appropriate, removal of the Chief Financial Officer and the company Secretary.
- Reporting to shareholders.

## Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independence status are set out in the directors' report under the heading 'Information on Directors'. There are four non-executive directors, one of whom is deemed independent under the principles set out below. There is one executive director who is the Managing Director. In addition there is one non-executive alternate director, although he has not acted during the year.

## Directors' independence

In February 2004 the Board adopted the definition of independence from the Australian Stock Exchange Principles of Good Corporate Governance and Best Practice Recommendations. These stipulate that an independent director is a non-executive director and:

- Is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company, where substantial shareholder is defined by section 9 of the Corporations Act.
- Within the last three years has not been employed in an executive capacity by the company or group, or been a director after ceasing to hold any such employment.
- Within the last three years has not been a principal of a material professional advisor or a material consultant to the company or group, or an employee associated with the service provided.
- Is not a material supplier or customer of the company or group, or an officer of or otherwise associated directly with a material supplier or customer.
- Has no material contractual relationship with the company or another group member other than as a director of the company.
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of $100,000 in any one financial year is considered material for these purposes. Purchases of the company's products by directors under normal terms and conditions, and director's fees, shall ordinarily be ignored for the purpose of the materiality test.

A director will not be considered independent if he or she has served on the Board for a period exceeding 12 years.

## Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring directors are properly briefed for meetings. The Managing Director is responsible for implementing strategies and policies. The Board charter specifies that the Chairman cannot be the Managing Director or a former Managing Director of the company.

The Chairman meets regularly with the Managing Director.

## Commitment

The Board held 8 Board meetings during the year, including a special meeting to consider the Corporate Plan. One of the meetings was preceded by a tour of the company's development projects in Perth.

In addition all of the non-executive directors are members of Board committees and the number of Board committee meetings attended is shown in the directors' report.

Although the company does not prevent executive directors from accepting appointments outside the company, no appointments of this nature were accepted or performed during the year ended 30 June 2004.

Prior to appointment, non-executive directors are required to acknowledge that they will have time available to properly discharge their responsibilities to the company. The annual performance assessment of Board members also addresses this issue.

## Conflict of interests

Should entities connected with the directors have business dealings with the economic entity during the year, the directors concerned declare their interests in those dealings and take no part in decisions relating to them. Such business dealings are disclosed in Note 32 to the financial statements.

The Rivergums, Baldivis

## Independent professional advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld.

## Performance assessment

The Board undertakes an annual self-assessment of its performance and that of its committees. The assessment includes a review of the Board charter, Board composition, committee structure and functions of the Board. Each Board committee also undertakes an annual self-assessment of its performance and achievement of committee objectives.

Part of the performance evaluation of the Board is to review the independence of directors and ensure directors collectively have the appropriate mix of skills required to maximize their effectiveness and ensure the company is able to meet its goals and objectives.

The first review of the Board, its composite members and its committees was undertaken in July 2004 at a special meeting of the Board. The Board is satisfied that it is discharging its obligations and that the company is well positioned to continue to meet its goals and objectives.

Details of policies in relation to the Board and senior executive performance assessment are available on the company website **www.cedarwoods.com.au**.

## Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. During the year the following committees were in operation:

- Nomination Committee
- Human Resources & Remuneration Committee
- Audit & Risk Management Committee
- Due Diligence Committee

## Nomination committee

The nomination committee was established on 20 February 2004 and consists of the following non-executive directors:

DP Buckland (Chairman)
RS Brown
WG Hames

At present, having regard to the size of the company and the present composition of the Board, the Board does not consider it necessary for this committee to be comprised of a majority of independent directors, as required by Best Practice Recommendation 2.4.

Details of these directors' qualifications, experience and attendance at committee meetings are set out in the directors' report.

The main responsibilities of the committee are:

- assessing the skills required on the Board;
- from time to time assessing the extent to which the required skills are represented on the Board;
- establishing processes for the identification of candidates for appointment to the Board;
- establishing eligibility requirements for candidates for appointment to the Board including a policy with respect to other commitments;
- proposing candidates for board vacancies;
- review of Board succession plans; and
- implementing processes for the induction of new non-executive Directors to the company and processes for continuing education of Directors.

When the need for a new director is identified or an existing director is required to stand for re-election, the nomination committee reviews the range of skills, experience and expertise on the Board, identifies its needs and if required prepares a short list of candidates with appropriate skills and experience. Where necessary, independent search consultants may be engaged.

The full Board will make appointments to the Board, and these candidates must stand for re-election at the next annual general meeting. Notices of meeting for the election of directors will, from the 2004 annual general meeting onwards, comply with the ASX Corporate Governance Council's Best Practice Recommendations.

New directors are provided with a letter of appointment setting out the responsibilities, rights and the terms and conditions of their employment. They are also provided with a copy of the Corporate Governance framework including the Code of Conduct. A formal induction is held for new non-executive directors which covers financial, operational and risk management issues.

## Human resources and remuneration committee

The human resources and remuneration committee consists of the following non-executive directors:

**DP Buckland (Chairman)**
**RS Brown**

At present, having regard to the size of the company and the present composition of the Board, the Board does not consider it necessary for there to be 3 members of this committee, with a majority of the directors independent, as required by Best Practice Recommendation 9.2.

Details of these directors' qualifications, experience and attendance at committee meetings are set out in the directors' report.

The committee operates in accordance with its charter which is available on the company website.

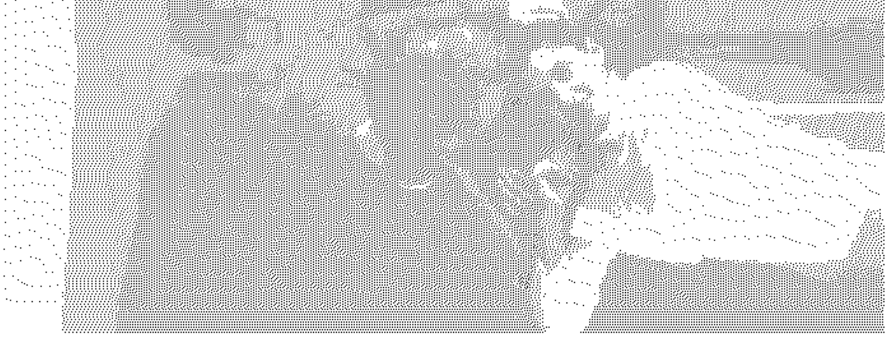
The Human Resources and Remuneration Committee makes recommendations to the full Board on remuneration packages and other terms of employment for directors and senior executives.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance, relevant comparative information and independent expert advice. Remuneration packages which include base salary, superannuation and fringe benefits are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's specialised operations. Performance related bonuses are available to executives based on the performance of the company and satisfaction of personal objectives established at the start of the financial year. Certain employees are eligible to participate in the Employee Share Scheme as part of the performance related bonus.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

The Committee is also charged with the responsibility of setting the recruitment and termination policies and practices of the company and making contributions in regard to executive succession, planning and promotions.

Further information on directors' and executives' remuneration is set out in Note 32 to the financial statements.



## Audit and risk management committee

The audit and risk management committee consists of the following non-executive directors:

DP Buckland (Chairman)
RS Brown
LK Kong

Under Australian Stock Exchange listing rule 12.7 the company is not required to have an Audit Committee as it is not included in the S&P All Ordinary Index. Nevertheless, the company has assessed its procedures against the requirements set out in the Best Practice Recommendations as they relate to Audit Committees.

At present, having regard to the size of the company and the present composition of the Board, the Board does not consider it necessary for this committee to be comprised of a majority of independent directors, as required by Best Practice Recommendation 4.3.

Details of these directors' qualifications, experience and attendance at committee meetings are set out in the directors' report.

The audit committee collectively has appropriate financial expertise and a working knowledge of the property industry.

The committee operates in accordance with its charter which is available on the company website.

The main responsibilities of the committee are to:

- Review and report to the Board on the annual and half-year report and financial statements and supporting management commentary;
- Review the accounting policies of the consolidated entity;
- Review the effectiveness of the control environment including risk management, safe practices policies, environmental policies and policies in respect to the disbursement of funds;
- Review the adequacy of information provided by management to the Board of Directors;
- Review the compliance with statutory and regulatory requirements;
- Review the annual budget and report accordingly to the Board of Directors;
- Review risk management information prepared by management and the annual and half yearly risk management reports;
- Administer the appointment and terms of engagement of the external auditor and review the scope and quality of the audit, and the independence and competence of the auditor; and
- Report to the Board on matters relevant to the committee's roles and responsibilities.

In fulfilling its responsibilities the committee meets with the external auditors at least twice a year, more frequently if necessary. During these meetings the auditors meet with the committee without the presence of senior management.

The company's auditors have a clear line of direct communication at any time to either the chairman of the audit and risk management committee or the chairman of the Board.

The committee has authority, within the scope of its responsibilities, to:

- Seek any information it requires from any employee or external party; and
- Obtain external legal or other independent professional advice.

The committee reports to the full Board and relevant papers and minutes are provided to all directors.

## Due diligence committee

The Board will appoint a Due Diligence Committee when required.

The Due Diligence Committee operated during the financial year and consisted of the following non-executive directors:

RS Brown (Chairman)
DP Buckland

The Due Diligence Committee was responsible for overseeing the due diligence program necessary prior to the placement of shares that took place in March and April 2004.

## Risk assessment and management

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

Each half-year, management is required to prepare a report of the current and future risks facing the consolidated entity, and the strategies or controls in place to mitigate those risks. A review is made of the performance of those controls over the half-year, and an assessment made of their effectiveness. Where required, improvements in controls are recommended. This report is reviewed by the Audit and Risk Management Committee and then presented to the full Board. Recommendations are implemented upon approval.

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

Each year the Managing Director and the Chief Financial Officer provide a written statement to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operating results are in accordance with relevant accounting standards. They also confirm that the statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the company's risk management and internal compliance control system is operating efficiently and effectively in all material respects.

## External auditors

The company and audit and risk management committee policy is to appoint external auditors who demonstrate competence and independence. The performance of the external auditor is reviewed annually. PricewaterhouseCoopers were appointed as the external auditors in 1991. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every seven years. A new engagement partner was introduced for the year ended 30 June 2003.

An analysis of fees paid to the external auditors, including a break down of fees for non-audit services, is provided in Note 34 in the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

## Code of Conduct

The company has developed a statement of values and a Code of Conduct (the Code) which was updated and fully endorsed by the Board on 20 February 2004. The Code replaced the previous Policy and Procedure manual. The Code is regularly updated to ensure it reflects the high standards of behaviour and professionalism and the practices necessary to maintain the company's integrity.

A summary of the main provisions of the Code is available on the company website.

The Code contains details of the company's policy with respect to trading of the company's securities by directors or employees.

A summary of the trading policy as it applies to directors is also contained in the Board charter which is also available on the company website.


Mariners Cove, Mandurah

## Continuous disclosure and shareholder communication

The company is committed to complying with its continuous disclosure obligations and seeks to provide relevant and timely information to shareholders and investors through ASX releases, written reports and the company's website.

The company secretary has been appointed as the person responsible for communications with the Australian Stock Exchange (ASX). This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure to the ASX, brokers, shareholders, media and the public.

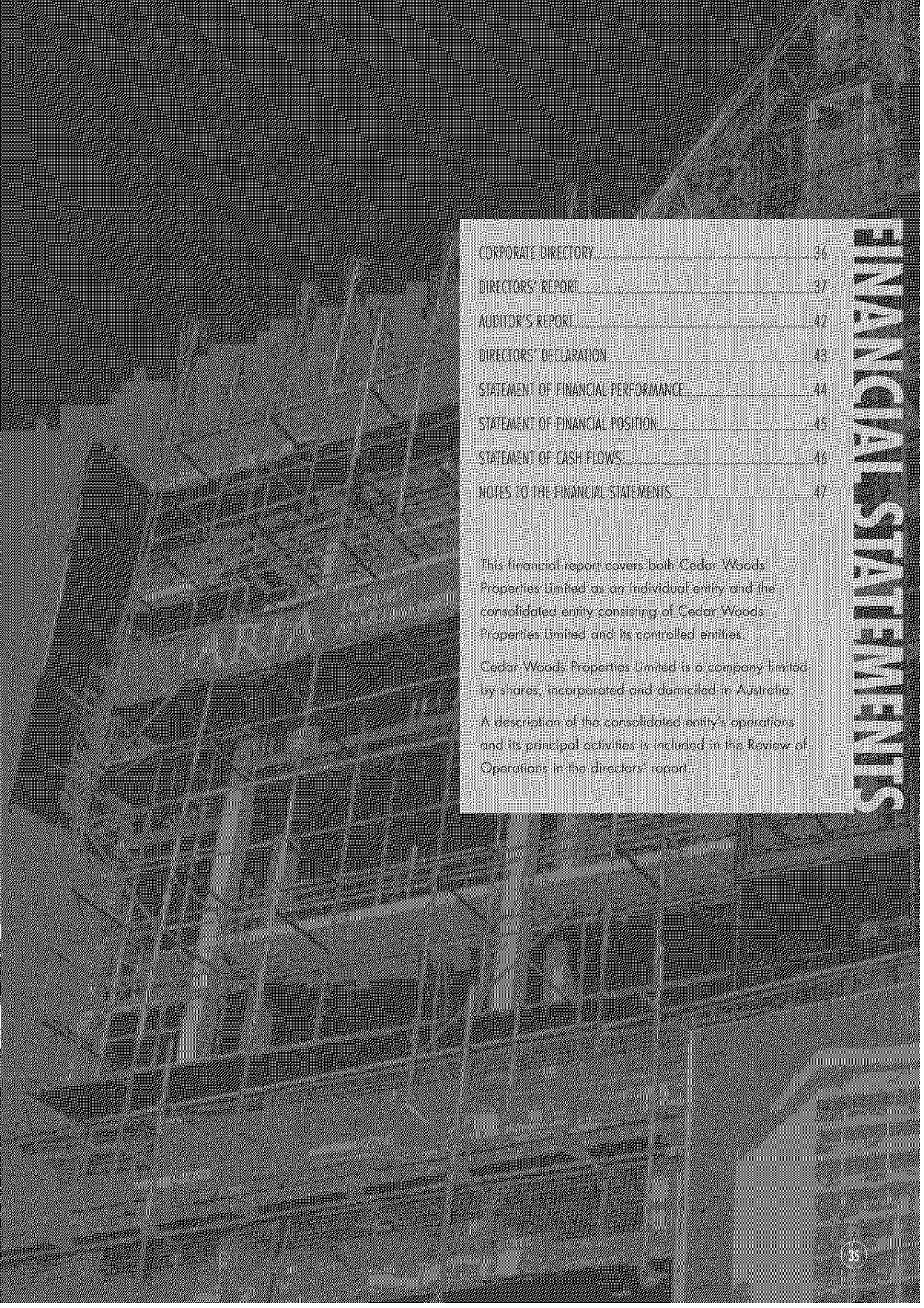
The company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the company and its controlled entities that a reasonable person would expect to have a material effect on the price of the company's securities. Such policies and procedures include mechanisms for ensuring relevant matters are communicated and that the information is released in a timely and balanced manner.

All information disclosed to the ASX is posted on the company's website as soon as possible. When analysts are briefed on aspects of the company's operations the material used in the presentation is released to the ASX.

The company's continuous disclosure policy is available on the company website.

All shareholders receive a copy of the company's annual report and half-year newsletter. In addition the company seeks to provide opportunities for shareholders to participate through electronic means. Please refer to the Investors' Summary section of the annual report.

Leeward, Port Mandurah




# FINANCIAL STATEMENTS



This financial report covers both Cedar Woods Properties Limited as an individual entity and the consolidated entity consisting of Cedar Woods Properties Limited and its controlled entities.

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

A description of the consolidated entity's operations and its principal activities is included in the Review of Operations in the directors' report.

# CORPORATE DIRECTORY

Cedar Woods Properties Limited
A.B.N. 47 009 259 081

## Directors

William George Hames, BArch (Hons) MCU (Harvard) FRAI, MPIA, FAPI (Econ) – Chairman
Robert Stanley Brown, MAICD, AIFS – Deputy Chairman
Dwane Patrick Buckland, BA (Econ), FAICD
Loh Kee Kong, B Acc, CPA
Paul Stephen Sadleir, BE, MBA – Managing Director
Stanley J Brown (Alternate for RS Brown)

## Company Secretary

Paul Freedman, BSc, CA

## Registered Office and Principal Place of Business

Level 4, Zurich House
66 Kings Park Road
WEST PERTH WA 6005
Postal address: P.O. Box 788 West Perth WA 6872
Phone: (08) 9480 1500 Fax: (08) 9480 1599
E-mail: email@cedarwoods.com.au
Website: www.cedarwoods.com.au

## Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000

## Auditor

PricewaterhouseCoopers
QV1
250 St George's Terrace
PERTH WA 6000

## Solicitor

Fearis Salter Power Shervington
52 Ord Street
West Perth WA 6005

## Stock Exchange Listing

Cedar Woods Properties Limited shares are listed on the Australian Stock Exchange Limited.

## ASX Code

CWP

## Notice of AGM

The Annual General Meeting of Cedar Woods Properties Limited:
Venue: Kings Park Function Centre, West Perth
Time: 10.00am
Date: 29 October 2004

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Cedar Woods Properties Limited and the entities it controlled at the end of, or during, the year ended 30 June 2004.

## 1. Directors

The following persons held office as directors of Cedar Woods Properties Limited during the whole of the financial year and up to the date of this report:

W G Hames (Chairman)
R S Brown (Deputy Chairman)
D P Buckland
Loh Kee Kong
S J Brown (Alternate for R S Brown)

Mr P S Sadleir was appointed as Managing Director on 1 November 2003 and continues in office at the date of this report.
Mr S K Crichton (Alternate for W G Hames) resigned on 24 March 2004.

## 2. Principal Activities

The principal continuing activities of the consolidated entity in the course of the year ended 30 June 2004 were that of property investor and developer and no significant change in the nature of those activities took place during the year.

## 3. Consolidated Result

The result of the consolidated entity for the year ended 30 June 2004 was as follows:

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| Revenue from ordinary activities | 57,189 | 37,087 |
| Profit from ordinary activities before income tax expense | 14,674 | 10,892 |
| Income tax expense | 4,421 | 3,757 |
| **Net profit attributable to members of Cedar Woods Properties Limited** | **10,253** | **7,135** |

## 4. Earnings Per Share

| | 2004 cents | 2003 cents |
|---|---|---|
| Basic earnings per share | 20.2 | 14.5 |

## 5. Dividend - Cedar Woods Properties Limited

Dividends paid to members during the financial year were as follows:

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| Final fully franked ordinary dividend for the year ended 30 June 2003 of 7.0 cents (2002 - 5.0 cents) per share paid on 24 October 2003 (2002 – 25 October 2002) | 3,481 | 2,471 |

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of $5,322,836 (10 cents per share) to be paid on 22 October 2004.

## 6. Review of Operations

Please refer to the detailed review of operations on pages 12 to 17 of this Annual Report.

## 7. Significant Changes in the State of Affairs

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

## 8. Matters Subsequent to the End of the Financial Year

No matters or circumstances have arisen since 30 June 2004 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.

## 9. Likely Developments & Expected Results of Operations

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.

## 10. Information on Directors

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

- Chairman of the Board of Directors, Non-Executive Director
- Member of the Nominations Committee

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 which has offices in Australia and New Zealand. Mr Hames has served as a director for 14 years.

**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 Housing Society, Director of Australian Wine Holdings Ltd, and Past President of the Federation of Building Societies of W.A. He has participated in and chaired various Western Australian government advisory committees related to the housing industry. Mr Brown is Executive Chairman of several family companies involved in various business activities. Mr Brown has served as a director for 16 years.

**Mr Dwane P Buckland,** BA (Econ), FAICD

- Independent, 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 Buckland is a businessman with a wide range of experience in public companies. He is the former Managing Director of Metro Industries Ltd, and a former director of Alinta Limited. Mr Buckland has served as a director for 10 years.

**Mr Loh Kee Kong,** B Acc, CPA

- Non-Executive Director
- Member of the Audit and Risk Management Committee

Mr Loh has a degree in accountancy from the University of Singapore and is also a member of the Institute of Certified Public Accountants of Singapore. Mr Loh is also Executive Director of Chuan Hup Holdings Ltd, PCI Ltd and CH Offshore Ltd which are publicly listed companies in Singapore, where he is a resident. Mr Loh has served as a director for 9 years.

**Mr Paul S Sadleir,** BE, MBA

- Managing Director, Executive Director

Mr Sadleir has extensive experience in the property sector and previously was manager of the Bunnings Warehouse Property Trust. Mr Sadleir holds a Master of Business Administration and Bachelor of Engineering degrees from the University of Western Australia and has completed a number of senior management programs, including the AIM – Harvard Business School Executive Forum. He is also a member of the Australian Institute of Company Directors, and an affiliate of the Australian Property Institute. Mr Sadleir brings to Company extensive skills in strategic planning, portfolio management, acquisition analysis, equity and finance raising, and investor relations management. Mr Sadleir was appointed managing director on 1 November 2003.

**Mr Stanley J Brown**

- Alternate director for Mr Robert S Brown

Mr Brown is a businessman with a wide range of family business interests.

## 11. 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.

## 12. 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 | 7,498,342 |
| Robert S Brown* | 10,042,898 |
| Dwane P Buckland | 34,121 |
| Loh Kee Kong | - |
| Paul S Sadleir | 753,926 |
| Stanley J Brown* | 10,089,898 |

*RS Brown and SJ Brown have a shared interest in 10,039,898 shares.

## 13. 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 & Remuneration Committee | Nominations Committee |
|---|---|---|
| D P Buckland (Chairman) | D P Buckland (Chairman) | D P Buckland (Chairman) |
| R S Brown | R S Brown | W G Hames |
| Loh Kee Kong | - | R S Brown |

## 14. 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 2004, and the numbers of meetings attended by each director:

| | Meetings of Directors | Meetings of Committees | |
|---|---|---|---|
| | | Audit and Risk Management | Human Resources & Remuneration |
| Number of meetings held: | 8 | 3 | 3 |
| Number of meetings attended by: | | | |
| W G Hames | 8 | - | - |
| R S Brown | 8 | 3 | 3 |
| D P Buckland | 8 | 3 | 3 |
| Loh Kee Kong | 8 | 3 | - |
| PS Sadleir | 8* | - | - |
| SK Crichton | - | - | - |
| SJ Brown | - | - | - |

*PS Sadleir attended 5 meetings as a director.

No meetings of the Nominations Committee were held during the financial year. The first meeting of the Nominations Committee was held on 30 July 2004.

## 15. Retirement, Election and Continuation in Office of Directors

Mr D P Buckland retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

## 16. Executive Benefits

Refer to Note 32: Director & Executive Disclosures for details of Executive Benefits.

## 17. Insurance of Officers

During the financial year, Cedar Woods Properties Limited paid a premium of $29,416 to insure certain officers of the company and its controlled entities.

The officers of the company covered by the insurance policy include the directors, W G Hames, R S Brown, D P Buckland, Loh Kee Kong, P S Sadleir and the Company Secretary, P S Freedman.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company and its controlled entities.

## 18. Environmental Regulation

To the best of the directors' knowledge the company 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.

## 19. Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

## 20. Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

William G Hames

**W G Hames - Chairman**
Perth, Western Australia
13 August 2004

# INDEPENDENT AUDITOR'S REPORT

## Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Cedar Woods Properties Limited (the company) for the financial year ended 30 June 2004 included on the Cedar Woods Properties Limited web site. The company's directors are responsible for the integrity of the Cedar Woods Properties Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### Audit opinion

In our opinion, the financial report of Cedar Woods Properties Limited

- gives a true and fair view as required by the Corporations Act 2001 in Australia, of the financial position of Cedar Woods Properties Limited and Cedar Woods Properties Limited Group (defined below) as at 30 June 2004 and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

## Scope

*The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Cedar Woods Properties Limited (the company) and Cedar Woods Properties Limited Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit approach*

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

**David J Smith**
Partner
Perth
13 August 2004

# DIRECTORS' DECLARATION

**Year ended 30 June 2004**

The directors declare that the financial statements and notes set out on pages 44 to 71:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001 in Australia; 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.

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

William G Hames

**W G Hames**
Chairman
Perth, Western Australia
13 August 2004

# STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

| | NOTE | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|---|
| Revenue from sale of land and buildings | 2 | 56,991 | 36,864 | - | - |
| Cost of sales | | 31,106 | 19,479 | - | - |
| Gross Margin | | 25,885 | 17,385 | - | - |
| Other revenues from ordinary activities | 2 | 198 | 223 | 11,197 | 6,895 |
| Other expenses from ordinary activities: | | | | | |
| Project operating costs | | 6,737 | 3,988 | - | - |
| Occupancy | | 130 | 118 | 130 | 118 |
| Administration | | 3,228 | 2,349 | 3,213 | 2,322 |
| Borrowing costs expense | 3 | 1,314 | 261 | 1,314 | 261 |
| **Profit from ordinary activities before related income tax expense** | 3 | 14,674 | 10,892 | 6,540 | 4,194 |
| Income tax expense (credit) | 4 | 4,421 | 3,757 | (55) | 65 |
| **Profit from ordinary activities after related income tax expense** | | 10,253 | 7,135 | 6,595 | 4,129 |
| **Net profit attributable to members of Cedar Woods Properties Limited** | 25 | 10,253 | 7,135 | 6,595 | 4,129 |
| **Total changes in equity attributable to members of Cedar Woods Properties Limited other than those resulting from transactions with owners as owners** | | 10,253 | 7,135 | 6,595 | 4,129 |
| Basic earnings per share | 30 | 20.2 cents | 14.5 cents | | |

The above statements of financial performance should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

| | NOTE | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | |
| Cash assets | 6 | 132 | 105 | 127 | 98 |
| Receivables | 7 | 19,687 | 13,298 | 8,001 | 4,001 |
| Inventories | 8 | 19,344 | 10,319 | - | - |
| Other | 9 | 383 | 134 | 16 | 15 |
| Total Current Assets | | 39,546 | 23,856 | 8,144 | 4,114 |
| NON - CURRENT ASSETS | | | | | |
| Receivables | 10 | 978 | 686 | 57,469 | 33,909 |
| Inventories | 11 | 52,995 | 41,563 | - | - |
| Other financial assets | 12 | 5 | 5 | 6,006 | 6,006 |
| Property, plant & equipment | 13 | 342 | 285 | 258 | 200 |
| Deferred Tax Asset | 14 | 851 | 423 | 851 | 117 |
| Total Non - Current Assets | | 55,171 | 42,962 | 64,584 | 40,232 |
| TOTAL ASSETS | | 94,717 | 66,818 | 72,728 | 44,346 |
| CURRENT LIABILITIES | | | | | |
| Payables | 15 | 13,775 | 17,596 | 605 | 610 |
| Interest bearing liabilities | 16 | 14,989 | 5,923 | 12,571 | 5,923 |
| Current tax liabilities | 17 | 3,132 | 3,263 | 3,132 | 144 |
| Provisions | 18 | 2,054 | 855 | 93 | 90 |
| Total Current Liabilities | | 33,950 | 27,637 | 16,401 | 6,767 |
| NON-CURRENT LIABILITIES | | | | | |
| Payables | 19 | 1,250 | - | 17,594 | 18,674 |
| Interest Bearing Liability | 20 | 8,300 | - | 8,300 | - |
| Deferred tax liabilities | 21 | 3,023 | 2,018 | 3,023 | 1 |
| Provisions | 22 | 362 | 337 | - | - |
| Total Non-Current Liabilities | | 12,935 | 2,355 | 28,917 | 18,675 |
| TOTAL LIABILITIES | | 46,885 | 29,992 | 45,318 | 25,442 |
| NET ASSETS | | 47,832 | 36,826 | 27,410 | 18,904 |
| EQUITY | | | | | |
| Contributed equity | 23 | 21,890 | 16,498 | 21,890 | 16,498 |
| Reserves | 24 | 2,056 | 3,860 | - | - |
| Retained Profits | 25 | 23,886 | 16,468 | 5,520 | 2,406 |
| TOTAL EQUITY | | **47,832** | **36,826** | **27,410** | **18,904** |

The above statements of financial position should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2004

| | NOTE | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash was provided from: | | | | | |
| - Receipts from customers (incl. GST) | | 57,600 | 41,099 | 29 | 86 |
| - Interest received | | 72 | 73 | 45 | 55 |
| Cash was disbursed to: | | | | | |
| - Payments to suppliers and employees (incl. GST) | | (13,068) | (8,643) | (3,145) | (2,236) |
| - Payments for inventory | | (56,026) | (25,278) | - | - |
| - Borrowing costs | | (2,265) | (261) | (2,265) | (261) |
| - Income taxes paid | | (5,133) | (1,631) | (107) | (104) |
| **Net cash inflows (outflows) from operating activities** | 26 | (18,820) | 5,359 | (5,443) | (2,460) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Proceeds from sale of property, plant and equipment | | 6 | 3 | - | 1 |
| Proceeds from repayment of employee share loan | | 39 | - | 39 | - |
| Payments for property, plant and equipment | | (144) | (226) | (130) | (168) |
| Payments for investments | | - | - | - | (1) |
| Net cash outflows from investing activities | | (99) | (223) | (91) | (168) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from issue of shares | | 5,000 | - | 5,000 | - |
| Share issue transaction costs | | (38) | - | (38) | - |
| Proceeds from borrowings | | 23,289 | 5,923 | 20,871 | 5,923 |
| (Loans to) / from related companies | | - | - | (10,965) | 7,765 |
| Repayment of borrowings | | (5,923) | (8,582) | (5,923) | (8,582) |
| Dividends paid | 5 | (3,382) | (2,416) | (3,382) | (2,416) |
| **Net cash inflows (outflows) from financing activities** | | 18,946 | (5,075) | 5,563 | 2,690 |
| Net increase in cash held | | 27 | 61 | 29 | 62 |
| Cash at the beginning of the financial year | | 105 | 44 | 98 | 36 |
| **Cash at the end of the financial year** | 6 | **132** | **105** | **128** | **98** |
| Financing arrangements | 16 | | | | |

The above statements of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

Except for certain assets which are at valuation, the financial statements have been prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in Note 1(s).

### a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Cedar Woods Properties Limited as at 30 June 2004 and the results of all controlled entities for the year then ended. Cedar Woods Properties Limited and its controlled entities together are referred to in this financial report as the consolidated entity. All inter-company balances and transactions are eliminated upon consolidation.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

### b) Land Held for Development and Resale

With effect from 1 July 1992, land purchased for development and resale is valued at the lower of cost and net realisable value. Cost includes acquisition and subsequent development costs, and applicable borrowing costs from 1 July 1998. All land held for development and resale is regarded as inventory and is classified as such in the balance sheet. Land is classified as current inventory only when sales are expected to occur within the next twelve months.

When development is completed borrowing costs and other holding costs 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 accounted for in accordance with Accounting Standard AASB 1041 Revaluation of Non-Current Assets. 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.

### c) Recognition of Revenue

Revenue is recognised net of discounts and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

#### Sale of land

Revenue arising from the sale of land held for resale is recognised in the statement of financial performance on the signing of a valid unconditional contract of sale. Revenue arising from unconditional sales contracts executed prior to the completion of construction is recognised by reference to the stage of completion of construction.

#### Interest and dividends

Interest and dividend revenue is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### d) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Non-current assets are not carried at an amount above their recoverable amount and where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount and the decrement is recognised as an expense in the net profit or loss in the reporting period. In determining recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate. The discount rates used vary but generally range between 15 – 25% depending upon the nature of the assets.

### e) 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 between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at 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. The relevant tax rates are applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability.

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 liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of distributions from controlled entities and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### Change in accounting policy for income tax

The above policy was adopted with effect from 1 July 2003 to comply with AASB 1020 Income Taxes released in December 1999 and applied to the year ended 30 June 2004 in accordance with a written election under subsection 334(5) of the Corporations Act 2001. In previous years, income tax expense in the statement of financial performance was calculated by reference to the accounting profit after allowing for permanent differences and deferred tax was not recognised in relation to amounts recognised directly in equity.

Adjustments were made against the asset revaluation reserve at the beginning of the financial year to recognise deferred taxes attributable to amounts recognised directly in the asset revaluation reserve to 30 June 2003.

The adjustments were as follows:

- increases in deferred tax liabilities of $1,158,000 with a corresponding net reduction in consolidated entity net assets and equity.
- reductions in consolidated entity asset revaluation reserve of $1,158,000.

### e) Income Tax (continued)

The restated statements of financial performance and amounts recognised directly in equity, and the restatements and reclassifications of consolidated and parent entity deferred tax assets, deferred tax liabilities, retained profits and asset revaluation reserve set out below show the information that would have been disclosed had the new accounting policy always been applied.

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2004 $'000 (Restated) | 2003 $'000 (Restated) | 2004 $'000 (Restated) | 2003 $'000 (Restated) |
| **Restatement of the statements of financial performance (extract)** | | | | |
| Profit from ordinary activities before related income tax expense | 14,674 | 10,892 | 6,540 | 4,194 |
| Income tax expense (credit) | 4,421 | 3,326 | (55) | 65 |
| Profit from ordinary activities after related income tax expense | 10,253 | 7,566 | 6,595 | 4,129 |
| Net profit attributable to members of Cedar Woods Properties Limited | 10,253 | 7,566 | 6,595 | 4,129 |
| Total changes in equity attributable to members of Cedar Woods Properties Limited other than those resulting from transactions with owners as owners | 10,253 | 7,566 | 6,595 | 4,129 |
| **Restatement of deferred tax liabilities** | | | | |
| Previously reported deferred tax liabilities at the end of the previous financial year | 2,018 | 2,088 | 1 | 53 |
| Adjustment for change in accounting policy for income tax | 1,158 | 1,589 | - | - |
| Restated deferred tax liabilities at the beginning of the financial year | 3,176 | 3,677 | 1 | 53 |
| Deferred tax liabilities recognised in relation to wholly-owned tax consolidated entities | - | - | 3,175 | - |
| Deferred income tax (revenue) expense for the year | (153) | (501) | (153) | (52) |
| Restated deferred tax liabilities at the end of the financial year | 3,023 | 3,176 | 3,023 | 1 |
| **Restatement of asset revaluation reserve** | | | | |
| Previously reported asset revaluation reserve at the end of the previous financial year (Note 24) | 3,860 | 5,295 | - | - |
| Adjustment for change in accounting policy for income tax | (1,158) | (1,589) | - | - |
| Restated asset revaluation reserve at the beginning of the financial year | 2,702 | 3,706 | - | - |
| Transfers to retained profits | (646) | (1,004) | - | - |
| Restated asset revaluation reserve at the end of the financial year | 2,056 | 2,702 | - | - |

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### e) Income Tax (continued)

#### Tax Consolidation Legislation

Cedar Woods Properties Limited and its wholly owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision.

As a consequence, Cedar Woods Properties Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax-consolidated entities are recognised as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly owned entities joining the tax-consolidated group are measured based on their carrying amounts prior to the implementation of the tax consolidation regime.

### f) Cash

For the purpose of the Statement of Cash Flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

### g) Employee Entitlements

#### (i) Wages, salaries, annual leave.

Liabilities for wages and salaries, bonuses and annual leave are recognised 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.

#### (ii) Ownership-based remuneration schemes

Ownership-based remuneration is provided to employees via the Cedar Woods Properties Limited Employee Share Scheme. Information relating to this scheme is set out in Note 35. No accounting entries are made in relation to the Employee Share Scheme until the shares are issued. At that time the shares are included in share capital account and the corresponding employee loans are established as receivables.

#### (iii) Employee Benefit On-Costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

#### (iv) Superannuation

Contributions by the consolidated entity to employees' superannuation funds are charged to the statement of financial performance when they are payable. The consolidated entity does not operate any defined benefit superannuation funds.

### h) Earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members 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.

### i) Trade and Other Creditors

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.

### j) 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 are 3 to 15 years.

### k) Leased Non-Current assets

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred as this represents the pattern of benefit derived from the leased assets.

### l) Interest bearing liabilities and borrowing costs

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. 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. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the interest rate applicable to the loan for the relevant asset, in this case approximately 8% (2003: 8%). Borrowing costs include interest, line fees and establishment costs.

### m) Receivables

All material contract debtors are recognised at the amounts receivable as they are due for settlement up to 12 months from the date of recognition. Collectibility of debtors is reviewed on an ongoing basis. Contracts known to be uncollectible are generally cancelled.

### n) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to their acquisition.

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 applicable borrowing rate applied by the consolidated entity's financiers.

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

### o) Investments

Interests in listed and unlisted securities, other than controlled entities in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in Note 1(a).

### p) Provisions

*Provision for monitoring and surveys*

Provision is made for the estimated liability arising from obligations in existence at balance date to statutory authorities for monitoring and surveys at the consolidated entity's land projects. The provision is not discounted to its present value as the effect of discounting is not material.

*Provision 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.

### q) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### r) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### s) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Cedar Woods Properties Limited has conducted a high level review of the likely impact of transition to Australian equivalents to IFRS. The review was conducted by the Chief Financial Officer and reported to the Board of Directors. The Chief Financial Officer has taken on the responsibility to manage the transition to the Australian equivalent of IFRS, including training staff where required and any internal changes necessary to gather all the required financial information.

No major changes to the consolidated entity's existing accounting policies have been identified as a result of the review, based on the existing corporate structure and business, and Australian equivalent standards in issue. Management will continue to monitor developments and the potential impact of the transition to IFRS.

## 2. REVENUE

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| **Revenue from operating activities** | | | | |
| Sale of land and buildings | 56,991 | 36,864 | - | - |
| **Revenue from outside the operating activities** | | | | |
| Proceeds from sale of non-current assets | 6 | 3 | - | 1 |
| Administration fee | | | | |
| - Controlled Entities | - | - | 3,135 | 2,826 |
| Dividend revenue | | | | |
| - Controlled Entities | - | - | 8,000 | 4,000 |
| - Other | 1 | - | 1 | - |
| Interest revenue | | | | |
| - Other | 72 | 73 | 45 | 55 |
| Rent | 49 | 94 | - | - |
| Sundry revenue | 70 | 53 | 16 | 13 |
| | 198 | 223 | 11,197 | 6,895 |
| Revenue from ordinary activities | 57,189 | 37,087 | 11,197 | 6,895 |

## 3. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expense includes the following specific expenses:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| · Borrowing costs | 2,125 | 261 | 1,314 | 261 |
| Less: amount capitalised | 811 | - | - | - |
| Borrowing costs expensed | 1,314 | 261 | 1,314 | 261 |
| · Net loss on sale of property, plant and equipment | - | 18 | - | 7 |
| · Rental expense – operating lease | 130 | 118 | 130 | 118 |
| · Other provisions: | | | | |
| Employee entitlements | 139 | 89 | 139 | 89 |
| Monitoring and surveys | 158 | 141 | - | - |
| Customer rebates | 1,660 | 699 | - | - |
| Sundry | - | - | - | 38 |
| · Superannuation funds | 183 | 154 | 183 | 154 |
| · Depreciation of property, plant & equipment | 87 | 55 | 72 | 13 |

## 4. INCOME TAX

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| **(a) Income tax expense** | | | | |
| Current income tax (revenue) expense | 5,025 | 3,995 | (4) | 153 |
| Deferred income tax (revenue) expense | (581) | (228) | (37) | (78) |
| Under (over) provision in prior years | (23) | (10) | (14) | (10) |
| | 4,421 | 3,757 | (55) | 65 |
| Deferred income tax (revenue) expense included in income tax expense comprises: | | | | |
| Decrease (increase) in deferred tax assets (Note 14) | (428) | (158) | (37) | (26) |
| (Decrease) increase in deferred tax liabilities (Note 21) | (153) | (70) | - | (52) |
| | (581) | (228) | (37) | (78) |

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

| | | | | |
|---|---|---|---|---|
| Pre-tax profit | 14,674 | 10,892 | 6,540 | 4,194 |
| Tax at the Australian tax rate of 30% (2003 - 30%) | 4,402 | 3,267 | 1,962 | 1,258 |
| Tax effect of amounts which are not deductible (assessable) in calculating taxable income: | | | | |
| - Rebateable dividends | | - | (2,400) | (1,200) |
| - Asset revaluation realised | - | 483 | - | - |
| - Other items | 42 | 17 | 42 | 17 |
| Tax loss transferred to other group entities | - | - | 355 | - |
| | 4,444 | 3,767 | (41) | 75 |
| Under (Over) provision in previous year | (23) | (10) | (14) | (10) |
| Income tax expense excluding impact of tax consolidation | 4,421 | 3,757 | (55) | 65 |
| Profit from ordinary activities before income tax expense – tax consolidated group (excluding parent entity) | | | 16,134 | - |
| Tax at the Australian tax rate of 30% (2003 - 30%) | | | 4,840 | - |
| Income tax expense – tax consolidated group (excluding parent entity) | | | 4,840 | - |
| Deferred tax balances of tax consolidated group entities assumed on implementation of tax consolidation | | | 2,870 | - |
| Compensation received from tax consolidated group entities | | | (7,710) | - |
| | | | - | - |
| Total income tax expense | 4,421 | 3,757 | (55) | 65 |

## c) Tax losses

At 30 June 2004 the consolidated entity and the company had no carried forward tax losses.

## (d) Tax consolidation legislation

Cedar Woods Properties Limited and its wholly owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003.

The wholly-owned entities have fully compensated Cedar Woods Properties Limited for deferred tax liabilities assumed by Cedar Woods Properties Limited on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Cedar Woods Properties Limited.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly owned entities reimburse Cedar Woods Properties Limited for any current income tax payable by Cedar Woods Properties Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and are paid by way of transfer through loans to/from controlled entities. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by Cedar Woods Properties Limited.

## 5. DIVIDENDS – Ordinary shares

| | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|
| Final dividend for the year ended 30 June 2003 of 7 cents (2002 – 5 cents) per fully paid share paid on 24 October 2003 (2002 – 25 October 2002) Fully franked (2002 – 100% franked) based on tax paid @ 30% | 3,382 | 2,416 |
| Employee share plan | 99 | 55 |
| Total | 3,481 | 2,471 |
| **Dividends not recognised at year end** | 5,323 | 3,459 |

Since year end the directors have recommended the payment of a final dividend of 10 cents per ordinary share, fully franked based on tax paid at 30%. The above is the aggregate amount of the proposed dividend expected to be paid on 22 October 2004 out of retained profits at 30 June 2004, but not recognised as a liability at year end.

The franked portions of dividends proposed at 30 June 2004 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Franking credits available for the subsequent financial year on a tax-paid basis of 30% | 10,942 | 5,954 | 10,942 | 1,843 |

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

(a) franking credits that will arise from the payment of the current tax liability.
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The franking credits of the parent entity include the credits transferred from wholly owned entities as a result of entering the tax consolidation regime. Franking credits of $2,707,284 were transferred from wholly owned entities to the parent entity at the time these entities entered the tax-consolidated group on 1 July 2003.

## 6. CURRENT ASSETS – Cash assets

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Cash at bank and on hand | 132 | 105 | 127 | 98 |

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

| | | | | |
|---|---|---|---|---|
| Balances as above | 132 | 105 | 127 | 98 |

## 7. CURRENT ASSETS – Receivables

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Trade Debtors | 30,552 | 19,994 | - | - |
| Less: unearned income | 10,877 | 6,745 | - | - |
| | 19,675 | 13,249 | - | - |
| Other debtors | 12 | 49 | 1 | 1 |
| Dividends receivable | - | - | 8,000 | 4,000 |
| | 19,687 | 13,298 | 8,001 | 4,001 |

## 8. CURRENT ASSETS – Inventories

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Land held for resale: | | | | |
| - at cost | 10,341 | 2,088 | - | - |
| - at valuation 30 June 1992 | 761 | 1,130 | - | - |
| - capitalised development costs | 8,242 | 7,101 | - | - |
| | 19,344 | 10,319 | - | - |

Inventory values are determined in accordance with Notes 1 (b), 1 (c) and 1(l). Further information relating to current valuations is set out in Note 11.

## 9. CURRENT ASSETS – Other

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Prepaid expenses | 383 | 134 | 16 | 15 |

## 10. NON-CURRENT ASSETS – Receivables

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Trade Debtors | 1 | 1 | - | - |
| Loans – employee share scheme (Note 35) | 977 | 685 | 977 | 685 |
| Loans – controlled entities | - | - | 56,492 | 33,224 |
| | 978 | 686 | 57,469 | 33,909 |

### Non-Current assets pledged as security

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

## 11. NON-CURRENT ASSETS – Inventories

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Land held for resale | | | | |
| - at cost | 36,331 | 31,423 | - | - |
| - at valuation 30 June 1992 | 2,176 | 3,588 | - | - |
| - capitalised development costs | 14,488 | 6,552 | - | - |
| | 52,995 | 41,563 | - | - |
| Current inventory (Note 8) | 19,344 | 10,319 | - | - |
| Non-current inventory – as above | 52,995 | 41,563 | | - |
| Aggregate carrying amount | 72,339 | 51,882 | - | - |

The carrying values are determined in accordance with Notes 1(b), 1(c) and 1(l). The 1992 valuations were independent valuations which were based on current market values at that time.

The directors are confident that at balance date the current values of land holdings, for each project and in aggregate, are equal to or greater than their carrying amounts.

### Non-Current assets pledged as security

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

## 12. NON-CURRENT ASSETS – Other financial assets

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Investments traded on organised markets – at cost | | | | |
| Shares in listed companies (a) | 5 | 5 | 5 | 5 |
| Other non-traded investments | | | | |
| Shares in controlled entities (Note 29) | - | - | 6,001 | 6,001 |
| | 5 | 5 | 6,006 | 6,006 |

(a) The market value of listed shares at 30 June 2004 was $9,540 (2003: $7,311)

### Non-Current assets pledged as security

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

## 13. NON-CURRENT ASSETS – Property, Plant & Equipment

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Buildings: | | | | |
| - cost | 63 | 63 | - | - |
| - less accumulated depreciation | 24 | 20 | - | - |
| | 39 | 43 | - | - |
| Plant & Equipment: | | | | |
| - cost | 599 | 454 | 516 | 386 |
| - less accumulated depreciation | 296 | 212 | 258 | 186 |
| | 303 | 242 | 258 | 200 |
| Total Property, Plant & Equipment | 342 | 285 | 258 | 200 |

**Non-Current assets pledged as security**

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

## 14. NON-CURRENT ASSET – Deferred Tax Asset

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| The balance comprises temporary differences attributable to: | | | | |
| Employee benefits | 107 | 80 | 107 | 80 |
| Provisions | 697 | 314 | - | 9 |
| Borrowing costs | 45 | 26 | 45 | 26 |
| Other | 2 | 3 | 2 | 2 |
| | 851 | 423 | 154 | 117 |
| Deferred tax assets relating to wholly-owned tax consolidated entities | - | - | 697 | - |
| Net deferred tax assets | 851 | 423 | 851 | 117 |
| The deferred tax expense (revenue) included in income tax expense in respect of the above temporary differences resulted from the following movements: | | | | |
| Deferred tax assets at 1 July 2003 | 423 | 265 | 117 | 91 |
| Less: Deferred tax assets at 30 June 2004 | 851 | 423 | 154 | 117 |
| Decrease (increase) in deferred tax included in income tax expense (Note 4) | (428) | (158) | (37) | (26) |

## 15. CURRENT LIABILITIES – Payables

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Trade creditors | 9,992 | 16,230 | 398 | 419 |
| Other creditors | 3,783 | 1,366 | 207 | 191 |
| | 13,775 | 17,596 | 605 | 610 |

## 16. CURRENT LIABILITIES – Interest bearing liabilities

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Bank loans - Secured | 14,989 | 5,923 | 12,571 | 5,923 |
| **Secured liabilities** | | | | |
| Current | 14,989 | 5,923 | 12,571 | 5,923 |
| Non-current (Note 20) | 8,300 | - | 8,300 | - |
| Total secured liabilities | 23,289 | 5,923 | 20,871 | 5,923 |

### Security for borrowings

A bank loan of $20,871,000 provided by Suncorp Metway is secured by a first mortgage over certain of the consolidated entity's land holdings, a first registered fixed and floating charge over the assets and undertaking of Cedar Woods Properties Limited, Cranford Pty Ltd, Esplanade (Mandurah) Pty Ltd, Galaway Holdings Pty Ltd, Silhouette Property Pty Ltd, Terra Property Pty Ltd, Vintage Property Pty Ltd, Woodbrooke Property Pty Ltd and Yonder Property Pty Ltd and guarantees and indemnities from Esplanade (Mandurah) Pty Ltd, Galaway Holdings Pty Ltd, Silhouette Property Pty Ltd, Terra Property Pty Ltd, Woodbrooke Property Pty Ltd, Vintage Property Pty Ltd and Yonder Property Pty Ltd. The consolidated entity's assets are pledged as security under fixed and floating charges.

A bank loan of $2,418,000 provided by Bank of Western Australia is secured by a first mortgage over land held by Woodbrooke Property Pty Ltd and a limited guarantee by Cedar Woods Properties Limited.

### Financing Arrangements

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

| | Consolidated 2004 | Consolidated 2003 | Parent 2004 | Parent 2003 |
|---|---|---|---|---|
| **Bank facilities** | | | | |
| Total facilities | 50,000 | 30,000 | 40,000 | 30,000 |
| Used at balance date | 23,289 | 5,923 | 20,871 | 5,923 |
| Unused at balance date | 26,711 | 24,077 | 19,129 | 24,077 |

The consolidated entity has a $40,000,000 revolving corporate loan facility with Suncorp Metway which expires on 30 November 2006. The facility is subject to annual reviews with a minimum notice period of 12 months should the bank seek repayment of the loan in circumstances where the Company is not in default. The facility conditions impose certain covenants as to the consolidated entity's shareholders equity, interest cover, revenue and valuation of property. The corporate facility provides funding for the consolidated entity's activities including acquisition and development.

The consolidated entity has a $10,000,000 project facility with Bank of Western Australia Ltd for the Aria project. It is anticipated the facility will expire at the end of the 2005 financial year when the project is due to be completed. The facility conditions impose certain covenants as to the valuation of the property and the market value of the completed project.

The interest on the bank loans is variable and at 30 June 2004 averaged 8.21% per annum (2003 – 7.85%).

## 17. CURRENT LIABILITIES – Current tax liabilities

| | | | | |
|---|---|---|---|---|
| Income tax | 3,132 | 3,263 | 3,132 | 144 |

## 18. CURRENT LIABILITIES – Provisions

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Employee entitlements | 76 | 59 | 76 | 59 |
| Monitoring and surveys | 148 | 165 | - | - |
| Customer rebates | 1,813 | 600 | - | - |
| Sundry provisions | 17 | 31 | 17 | 31 |
| | 2,054 | 855 | 93 | 90 |
| Number of employees at 30 June | 20 | 18 | 20 | 18 |

Movements in provisions are shown at Note 22.

## 19. NON-CURRENT LIABILITIES – Payables

| | | | | |
|---|---|---|---|---|
| Trade Creditors | 1,250 | - | - | - |
| Loans – Controlled Entities | - | - | 17,594 | 18,674 |
| | 1,250 | - | 17,594 | 18,674 |

## 20. NON-CURRENT LIABILITIES – Interest bearing liabilities

| | | | | |
|---|---|---|---|---|
| Bank loans - Secured | 8,300 | - | 8,300 | - |

## 21. NON-CURRENT LIABILITIES – Deferred tax liabilities

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Provision for deferred income tax | 3,023 | 2,018 | 3,023 | 1 |
| The balance comprises temporary differences attributable to: | | | | |
| *Amounts recognised in profit or loss* | | | | |
| Borrowing costs | 196 | 207 | - | - |
| Sales awaiting settlement | 1,876 | 1,810 | - | - |
| Other | 70 | 1 | 1 | 1 |
| | 2,142 | 2,018 | 1 | 1 |
| *Amounts recognised directly in equity* | | | | |
| Revaluation reserve | 881 | - | 881 | - |
| | 3,023 | - | 882 | - |
| Deferred tax liabilities relating to wholly-owned tax consolidated entities | - | - | 2,141 | - |
| Net deferred tax liability | 3,023 | 2,018 | 3,023 | 1 |
| The deferred tax revenue included in income tax expense in respect of the above temporary differences resulted from the following movements: | | | | |
| Deferred tax liabilities at 1 July 2003 | 2,018 | 2,088 | 1 | 53 |
| Adjustment for change in accounting policy for income tax (Note 1(e)) | 1,158 | - | - | - |
| | 3,176 | 2,088 | 1 | 53 |
| Less: Deferred tax liabilities at 30 June 2004 (excluding deferred tax liabilities relating to wholly-owned tax consolidated entities) | 3,023 | 2,018 | 1 | 1 |
| Decrease (increase) in deferred tax liabilities included in income tax expense (Note 4) | 153 | 70 | - | 52 |

## 22. NON-CURRENT LIABILITIES – Provisions

| | Consolidated 2004 | Consolidated 2003 | Parent 2004 | Parent 2003 |
|---|---|---|---|---|
| Monitoring and surveys | 362 | 337 | - | - |

Movements in current and non-current provisions

| Consolidated - 2004 | Sundry | Customer rebates | Monitoring and surveys | Total |
|---|---|---|---|---|
| Carrying amount at start of year | 31 | 600 | 502 | 1,133 |
| Additional provisions required | - | 1,660 | 158 | 1,818 |
| Payments | (14) | (447) | (150) | (611) |
| Carrying amount at end of year | 17 | 1,813 | 510 | 2,340 |

| Parent Company – 2004 | Sundry |
|---|---|
| Carrying amount at start of year | 31 |
| Payments | (14) |
| Carrying amount at end of year | 17 |

## 23. CONTRIBUTED EQUITY

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Parent Company 2004 $'000 | Parent Company 2003 $'000 |
|---|---|---|---|---|
| Share capital at the beginning of the financial year – 49,420,256 (2003 – 48,315,329) ordinary shares | | | 16,498 | 15,758 |
| Shares issued pursuant to employee share plan – 311,594 (2003 - 1,104,927) ordinary shares issued at $1.38 (2003 - 67 cents) each on 3 October 2003 (2003 -16 October 2002) | | | 430 | 740 |
| Placement of 3,496,505 ordinary shares in March and April 2004 at $1.43 each | | | 5,000 | - |
| Less transaction costs arising on placement | | | (38) | - |
| Share capital at the end of the financial year –53,228,355 (2003 – 49,420,256) ordinary shares | | | 21,890 | 16,498 |

The share capital account includes a former share premium account of $6,976,637.

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.

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 cash. Shares are issued under the plan at a 2.5% discount to the market price. The plan was suspended throughout the 2004 and 2003 financial years.

## 24. RESERVES

| | | | | |
|---|---|---|---|---|
| Composition: | | | | |
| a) Asset revaluation reserve | 2,056 | 3,860 | - | - |
| Movements: | | | | |
| a) Asset revaluation reserve | | | | |
| Balance at the beginning of the financial year | 3,860 | 5,295 | - | - |
| Transfer to retained profits (Note 25) | (646) | (1,435) | - | - |
| Adjustments resulting from change in accounting policy for income tax | (1,158) | - | - | - |
| Balance at the end of the financial year | 2,056 | 3,860 | - | - |

The asset revaluation reserve was used until 1992 to record increments and decrements on the revaluation of non-current assets. Refer to Note 1(b).

## 25. RETAINED PROFITS (ACCUMULATED LOSSES)

| | | | | |
|---|---|---|---|---|
| Retained profits (accumulated losses) at the beginning of the financial year | 16,468 | 7,953 | 2,406 | (1,668) |
| Adjustment due to change in accounting policy for dividends | - | 2,416 | - | 2,416 |
| Net profit attributable to members of Cedar Woods Properties Limited | 10,253 | 7,135 | 6,595 | 4,129 |
| Transfers from reserves (Note 24) | 646 | 1,435 | - | - |
| Dividends provided for or paid (Note 5) | (3,481) | (2,471) | (3,481) | (2,471) |
| Retained profits at the end of the financial year | 23,886 | 16,468 | 5,520 | 2,406 |

## 26. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Profit from ordinary activities after Income Tax | 10,253 | 7,135 | 6,595 | 4,129 |
| Administration Fees: | | | | |
| - Controlled entities | - | - | (3,135) | (2,826) |
| Dividends receivable: | | | | |
| - Controlled entities | - | - | (8,000) | (4,000) |
| Depreciation | 87 | 55 | 72 | 42 |
| Loss (Profit) on sale of non - current asset | (6) | 18 | - | 7 |
| Changes in operating assets and liabilities: | | | | |
| Increase in provision for employee entitlements | 17 | 32 | 17 | 32 |
| Increase (Decrease) in provisions | 1,207 | 297 | (14) | 31 |
| Increase in inventories | (20,457) | (16,073) | - | - |
| Increase in future income tax benefit | (428) | (158) | (37) | (26) |
| Increase (Decrease) in provision for income taxes payable | (131) | 2,354 | (144) | 38 |
| Decrease in provision for deferred income tax | (153) | (69) | (791) | (52) |
| Increase in pre-payments | (249) | (119) | (1) | (4) |
| Decrease in loan to director | - | 38 | - | - |
| (Increase) Decrease in debtors | (6,389) | 647 | - | (1) |
| Increase (Decrease) in creditors | (2,571) | 11,202 | (5) | 170 |
| Net Cash Inflows (Outflows) from Operating Activities | (18,820) | 5,359 | (5,443) | (2,460) |

## 27. COMMITMENTS FOR EXPENDITURE

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:

| | | | | |
|---|---|---|---|---|
| Within 1 year | 164 | 115 | 164 | 115 |
| Later than 1 year but not later than 5 years | 51 | 156 | 51 | 156 |
| | 215 | 271 | 215 | 271 |

At 30 June 2004 the consolidated entity had commitments under civil works contracts for development of its residential land projects. The total amount contracted for work yet to be completed was $9,799,400.

## 28. SEGMENT INFORMATION

The consolidated entity operates in one business segment being property investment and development (the primary reportable segment) and one geographical segment being Australia (the secondary reportable segment).

The disclosure of segment information as required by AASB 1005 Segment Reporting has been made elsewhere in this financial report. Non-cash costs consist of depreciation, details of which are disclosed in Note 3.

## 29. INVESTMENT IN CONTROLLED ENTITIES

The following controlled entities are owned 100% by Cedar Woods Properties Limited. The controlled entities are incorporated in Western Australia.

| Company | Class of Shares | Equity Holding | |
|---|---|---|---|
| | | 2004 | 2003 |
| Esplanade (Mandurah) Pty Ltd | Ordinary | 100% | 100% |
| Cranford Pty Ltd (a) | Ordinary | 100% | 100% |
| Gaythorne Pty Ltd (a) | Ordinary | 100% | 100% |
| Galaway Holdings Pty Ltd (a) | Ordinary | 100% | 100% |
| Silhouette Property Pty Ltd | Ordinary | 100% | 100% |
| Terra Property Pty Ltd (a) | Ordinary | 100% | 100% |
| Vintage Property Pty Ltd (a) | Ordinary | 100% | 100% |
| Woodbrooke Property Pty Ltd (a) | Ordinary | 100% | 100% |
| Yonder Property Pty Ltd (a) | Ordinary | 100% | 100% |
| Lonnegal Property Pty Ltd (a) | Ordinary | 100% | 100% |

(a) These controlled entities have been granted relief from the requirement to prepare financial reports, in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

## 30. EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | 2004 | 2003 |
| Basic earnings per share | 20.2 cents | 14.5 cents |
| Earnings per share including realised revaluation reserve | 21.5 cents | 17.5 cents |
| Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share | 50,682,727 | 49,096,346 |

The basic earnings per share is calculated by dividing net profit after income tax expense by the weighted number of ordinary shares during the year.

The earnings per share including realised revaluation reserve is calculated by dividing net profit after income tax expense plus realised asset revaluation reserve by the weighted number of ordinary shares during the year.

## 31. CONTINGENT LIABILITIES

At 30 June 2004 bank guarantees totalling $1,824,841 had been provided to various state and local authorities supporting development and maintenance commitments (2003 - $394,915). Bank guarantees totalling $3,370,000 had been provided to vendors securing future payments for land acquisitions (2003 - $nil). A bank guarantee of $21,430 (2003 - $21,430) had been provided pursuant to the lease of premises at 66 Kings Park Road, West Perth by Cedar Woods Properties Limited.

## 32. DIRECTORS' & EXECUTIVES' DISCLOSURES

### Directors

The following persons were directors of Cedar Woods Properties Limited during the financial year:

### Chairman – non-executive

Mr W G Hames

### Non-executive directors

Mr R S Brown
Mr D P Buckland
Mr Loh Kee Kong

### Executive directors

Mr P S Sadleir (appointed 1 November 2003)

### Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the five executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year:

| Name | Position |
|---|---|
| Mr M Glendinning* | Marketing Manager |
| Mr P S Freedman* | Chief Financial Officer |
| Mr P W Stannard* | Acquisitions Manager |
| Mr K N Haustead* | Development Manager |
| Mr N Blackburne | Victorian State Manager |

*Specified executives during the year ended 30 June 2003.

### Remuneration of directors and executives

Remuneration of non-executive Directors reflects the demands which are made on, and the responsibilities of the directors, including membership of committees. Remuneration is determined by the Board within the maximum amount approved by the shareholders from time to time. Non-executive Directors do not participate in bonus or equity based schemes.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's specialised operations.

Performance related bonuses are available to executives based on the earnings performance of the company measured against the objectives set in the Corporate Plan, and satisfaction of personal objectives established at the start of the year. Performance related bonuses are paid each year following the audit of the annual results. The bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels, at the discretion of the Human Resources and Remuneration Committee.

### Details of remuneration

Details of the remuneration of each director of Cedar Woods Properties Limited and each of the five specified executives of the consolidated entity, including their personally-related entities, are set out in the following tables.

### Directors of Cedar Woods Properties Limited

| Name | Cash salary and fees | Cash bonus | Non-monetary benefits | Superannuation | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| WG Hames | 65,000 | - | - | 5,850 | 70,850 |
| RS Brown | 50,000 | - | - | 4,500 | 54,500 |
| DP Buckland | 35,000 | - | - | 3,150 | 38,150 |
| Loh Kee Kong | 25,000 | - | - | 2,250 | 27,250 |
| PS Sadleir | 254,505 | 143,625 | 30,629 | 11,002 | 439,761 |
| Total | 429,505 | 143,625 | 30,629 | 26,752 | 630,511 |

PS Sadleir was appointed Managing Director on 1 November 2003. Before this appointment he was the company's Chief Executive Officer (CEO). Amounts shown above include all of Mr Sadleir's remuneration during the reporting period, whether as a director or CEO. Amounts received when a director amounted to $295,460, made up of cash salary of $169,670, cash bonus of $95,750, non-monetary benefits of $22,705 and superannuation of $7,335.

## Specified executives of the consolidated entity

| Name | Cash salary and fees | Cash bonus | Non-monetary benefits | Superannuation | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| M Glendinning | 165,437 | 19,750 | 7,878 | 11,002 | 204,067 |
| P Freedman | 140,258 | 16,756 | 3,280 | 11,002 | 171,296 |
| P Stannard | 126,849 | 13,687 | 3,280 | 11,002 | 154,818 |
| K Haustead | 133,488 | 16,756 | 2,963 | 11,002 | 164,209 |
| N Blackburne | 149,348 | 19,150 | 5,077 | 11,002 | 184,577 |
| Total | 715,380 | 86,099 | 22,478 | 55,010 | 878,967 |

### *Terms of employment for the Managing Director and executives*

The terms of employment for Paul Sadleir provide for an annual base salary inclusive of superannuation and the provision of an annual performance-related cash bonus. Benefits comprise payment of certain professional memberships, provision of parking and participation, when eligible, in the Cedar Woods Employee Share Scheme which provides a benefit of an interest free loan.

In addition Paul Sadleir is entitled to payment of a benefit on termination by the employer following significant restructure or takeover, equal to his total remuneration package for one year.

The terms of employment for the specified executives provide for an annual base salary inclusive of superannuation, the provision of an annual performance-related cash bonus, and participation, when eligible, in the Cedar Woods Employee Share Scheme which provides a benefit of an interest free loan to each of those executives. M. Glendinning and N. Blackburne are also provided parking and payment of certain professional memberships in addition to their annual base salary.

The remuneration for directors and specified executives is set for each financial year ending 30 June and is reviewed annually by the Human Resources and Remuneration Committee.

## 32. DIRECTORS' & EXECUTIVES' DISCLOSURES (continued)

### *Share holdings*

The numbers of shares in the company held during the financial year by each director of Cedar Woods Properties Limited and each of the five specified executives, including their personally-related entities as defined by AASB1046 - *Director and Executive Disclosures by Disclosing Entities*, are set out below.

| Name | Number of shares at the start of the year | Received during the year pursuant to employee share plan | Other changes during the year | Number of shares at the end of the year |
|---|---|---|---|---|
| **Ordinary shares** | | | | |
| ***Directors of Cedar Woods Properties Limited*** | | | | |
| William G Hames | 7,491,342 | - | 10,000 | 7,501,342 |
| Robert S Brown* | 9,449,597 | - | 649,301 | 10,098,898 |
| Dwane P Buckland | 37,777 | - | - | 37,777 |
| Loh Kee Kong | - | - | - | - |
| Paul S Sadleir | 610,448 | 243,478 | (25,000) | 828,926 |
| Stanley J Brown (alternate for RS Brown)* | 9,449,597 | - | 649,301 | 10,098,898 |
| ***Specified executives of the consolidated entity*** | | | | |
| M Glendinning | 141,493 | 8,696 | - | 150,189 |
| P Freedman | 102,090 | 7,246 | - | 109,336 |
| P Stannard | 102,090 | 7,246 | - | 109,336 |
| K Haustead | 103,433 | - | - | 103,433 |
| N Blackburne | 74,627 | 8,696 | - | 83,323 |

*Interest relates to the same shares.

### *Loans to Directors and Executives*

Details of loans made to directors of Cedar Woods Properties Limited and the five specified executives, including their personally-related entities, are set out below. These loans were all made under the employee share scheme.

### Aggregates for directors and specified executives

| 2004 - Group | Balance at the start of the year | Interest paid and payable for the year | Interest not charged* | Balance at the end of the year | Number in group at the end of the year |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Directors of Cedar Woods Properties Limited | - | - | 19,990 | 599,703 | 1 |
| Specified executives of the consolidated entity | 594,923 | - | 23,133 | 329,820 | 5 |

## Individuals with loans above $100,000 during the financial year:

2004

| Name | Balance at the start of the year | Interest paid and payable for the year | Interest not charged* | Balance at the end of the year | Highest debt during the year |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| *Directors* | | | | | |
| P S Sadleir | 316,478 | | 26,556 | 599,703 | 652,478 |

P S Sadleir was a specified executive in 2003 and was appointed as Managing Director on 1 November 2003.

*Equates to the value of interest not charged under interest free loan.

### Other transactions with directors, director related entities and specified executives

*Directors of Cedar Woods Properties Limited*

During the year planning, architectural and consulting services were provided by Hames Sharley Architects of which Mr W.G. Hames is a principal. In addition, Hames Sharley provided office accommodation and secretarial services in Melbourne. The transactions were performed on normal commercial terms and conditions.

During the year creative design services were provided by DNA Charrette Design, an entity related to Mr W.G. Hames. The services were performed on normal commercial terms and conditions

Property settlement charges were paid to Westland Settlement Services Pty Ltd of which Mr S J Brown is a director. The charges were based on normal commercial terms and conditions.

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

| | 2004 $ | 2003 $ |
|---|---|---|
| **Amounts recognised as expense** | | |
| Rent of office premises | 11,128 | 12,522 |
| Creative design services | 8,336 | 13,171 |
| Settlement fees | 71,280 | 43,973 |
| | 90,744 | 69,666 |
| **Amounts recognised as inventory** | | |
| Architectural fees | 214,335 | 441,164 |

Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Cedar Woods Properties Limited:

| | | |
|---|---|---|
| Inventory | 214,335 | 441,164 |

Aggregate amounts payable to directors of Cedar Woods Properties Limited at balance date relating to the above types of other transactions:

| | | |
|---|---|---|
| Current liabilities | 14,170 | 61,173 |

## 33. RELATED PARTIES

### a) Directors & Director – Related Entities

Disclosures relating to directors, director – related entities and specified executives are set out in Note 32.

### b) Wholly-owned Group

The wholly owned group consists of Cedar Woods Properties Limited and its wholly owned controlled entities. A list of these entities and the ownership interests held by the parent entity are set out in Note 29.

Transactions between Cedar Woods Properties Limited and its wholly owned subsidiaries during the years ended 30 June 2004 and 2003 consisted of:

- Loans advanced by and to Cedar Woods Properties Limited
- Loans repaid to and by Cedar Woods Properties Limited
- The payment of dividends to Cedar Woods Properties Limited
- Charging of administration fees by Cedar Woods Properties Limited

Loans between group entities are non-interest bearing and have no fixed date of repayment.

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with wholly owned controlled entities were as follows:

| | Parent Company | |
|---|---|---|
| | 2004 $'000 | 2003 $'000 |
| Administration fees | 3,135 | 2,826 |
| Dividends revenue | 8,000 | 4,000 |

Administration fees were derived on normal commercial terms.

Aggregate amounts receivable from and payable to wholly owned controlled entities at balance date were as follows:

| | | |
|---|---|---|
| Current assets – receivables (Note 7) | 8,000 | 4,000 |
| Non-current assets - receivables (Note 10) | 56,492 | 33,224 |
| Non-current liabilities - other (Note 19) | 17,594 | 18,674 |

### c) Controlling Entity

The ultimate parent entity in the wholly owned group is Cedar Woods Properties Limited.

### d) Ownership Interests in Related Parties

The interests in controlled entities are set out in Note 29.

## 34. REMUNERATION OF AUDITORS

| | Consolidated | |
|---|---|---|
| | 2004 | 2003 |
| **PricewaterhouseCoopers – Australian firm** | $ | $ |
| Remuneration for audit or review of the financial reports of the parent entity and controlled entities | 55,558 | 47,936 |
| Remuneration for other services by the auditors: | | |
| - Advisory services | 5,500 | 5,500 |
| - Taxation including GST | 39,048 | 27,750 |
| - Legal services for tax-sharing agreement | 4,900 | - |
| | 105,006 | 81,186 |

The parent entity has borne audit costs totalling $37,874 (2003 - $40,260) on behalf of the controlled entities. The other services were borne by the parent.

## 35. EMPLOYEE SHARE SCHEME

The Cedar Woods Properties Limited Employee Share Scheme was introduced in the 2003 financial year. A portion of certain employees' remuneration is performance based, and on achievement of certain benchmarks, employees are issued ordinary shares funded by an interest free loan from the company.

311,594 shares were issued under the scheme in the 2004 financial year, (2003 – 1,104,927 shares) based on performance bonuses achieved in the 2003 year. The ordinary shares were issued at $1.38 each, being the weighted average trading price during the 14-day period up to and including 29 August 2003. The shares carry full dividend and voting rights.

Further shares will be issued to employees under the scheme during the 2005 year, based on performance bonuses assessed for the 2004 year at the weighted average trading price during the 14-day period up to and including 27 August 2004. The number of shares issued will be reported in the 2005 annual report.

The Human Resources and Remuneration Committee determines the employees eligible to participate in the scheme. During the year, 7 eligible employees participated. No directors can participate, although participating employees who are appointed to the position of director may remain in the scheme in respect of the shares already issued under the scheme prior to their appointment as director. Shares will only be issued if the consolidated entity achieves at least 5% growth in earnings per share.

When the shares are issued the share capital is recognised as equity in the statement of financial position at its price on the day of issue, and the consolidated entity recognises a receivable for the value of the share loan established with each employee. Employees will be required to repay any outstanding balance upon leaving the consolidated entity. At balance date there was no amount outstanding due from former employees.

## 36. FINANCIAL INSTRUMENTS

### (a) Credit Risk Exposure

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

### (b) Interest Rate Risk Exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

| | 2004 $'000 | | | 2003 $'000 | | |
|---|---|---|---|---|---|---|
| | Interest Bearing - Variable | Non Interest Bearing | TOTAL | Interest Bearing - Variable | Non Interest Bearing | TOTAL |
| Financial Assets: | | | | | | |
| Cash | 132 | - | 132 | 105 | - | 105 |
| Trade debtors | - | 19,675 | 19,675 | | 13,249 | 13,249 |
| Other debtors | - | 12 | 12 | - | 49 | 49 |
| Employee share loans | - | 977 | 977 | - | 685 | 685 |
| Investments | - | 5 | 5 | - | 5 | 5 |
| | 132 | 20,669 | 20,801 | 105 | 13,988 | 14,093 |
| Weighted average interest rate | 4.0% | | | 2.6% | | |
| Financial Liabilities: | | | | | | |
| Bank loans | 23,289 | - | 23,289 | 5,923 | - | 5,923 |
| Trade and Other creditors | - | 15,025 | 15,025 | - | 17,596 | 17,596 |
| | 23,289 | 15,025 | 38,314 | 5,923 | 17,596 | 23,519 |
| Weighted average interest rate | 8.2% | | | 7.8% | | |
| **Net financial assets/(liabilities)** | (23,157) | 5,644 | (17,513) | (5,818) | (3,608) | (9,426) |

### (c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to the lower of cost or market prices prevailing at balance date (refer also to Note 12).

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 31 August 2004.

## A. Distribution of Equity Securities

(a) Analysis of numbers of shareholders by size of holding:

| | Ordinary Shares | Percentage of holders |
|---|---|---|
| 1 - 1,000 | 66 | 8.60 |
| 1,001 – 5,000 | 231 | 30.12 |
| 5,001 – 10,000 | 161 | 20.99 |
| 10,001 – 100,000 | 266 | 34.68 |
| 100,001 and over | 43 | 5.61 |
| | 767 | 100.00 |

(b) There were 8 holders of less than a marketable parcel of ordinary shares

## B. Twenty Largest Shareholders

| Name | Number of Ordinary Shares Held | Percentage of Issued Shares |
|---|---|---|
| Ventrade (Asia) Pte Ltd | 12,449,099 | 23.39 |
| National Nominees Limited | 5,229,890 | 9.83 |
| Beach Corporation Pty Ltd | 5,039,797 | 9.47 |
| Western Retirement Homes Pty Ltd | 5,000,101 | 9.39 |
| Hamsha Nominees Pty Ltd | 4,363,232 | 8.20 |
| Helen Kaye Hames | 2,525,000 | 4.74 |
| Tower Trust Limited | 1,809,222 | 3.40 |
| Paul Sadleir | 753,926 | 1.42 |
| Golden Years Holdings Pty Ltd (AW Lennon A/C) | 707,025 | 1.33 |
| Colbern Fiduciary Nominees Pty Ltd | 570,000 | 1.07 |
| Golden Years Holdings Pty Ltd (GE Lennon A/C) | 480,790 | 0.90 |
| Dane Nigel Gorn & Maureen Theresa Gorn | 396,922 | 0.75 |
| Joia Holdings Pty Ltd | 382,000 | 0.72 |
| Mentmore Pty Limited | 378,529 | 0.71 |
| Ramneg Pty Ltd | 308,890 | 0.58 |
| William George Hames | 253,110 | 0.48 |
| Station Asset Pty Ltd | 250,000 | 0.47 |
| JP Morgan Nominees Australia Limited | 235,963 | 0.44 |
| Victorian Workcover Authority | 227,000 | 0.43 |
| Dr Alan Gerraty & Patricia Gerraty | 210,000 | 0.39 |
| | 41,570,496 | 78.10 |

# SHAREHOLDER INFORMATION (continued)

## C. Substantial Shareholders

An extract of the company's Register of Substantial Shareholders is set out below:

| Name | Number and Percentage of Ordinary Shares in which Interest Held | |
|---|---|---|
| **Manner held** | **Number** | **Percentage** |
| Ventrade (Asia) Pte Ltd | 12,449,099 | 23.39 |
| Entities related to RS and SJ Brown - | | |
| - Beach Corporation Pty Ltd | 5,039,797 | 9.47 |
| - Western Retirement Homes Pty Ltd | 5,000,101 | 9.39 |
| - Robert Brown | 3,000 | 0.01 |
| - Stanley James Brown | 50,000 | 0.09 |
| - Joan Brown | 3,000 | 0.01 |
| - Dorothy Margaret Brown | 3,000 | 0.01 |
| | 10,098,898 | 18.98 |
| Entities related to WG Hames - | | |
| - Hamsha Nominees Pty Ltd | 4,363,232 | 8.20 |
| - Helen Kaye Hames | 2,500,000 | 4.70 |
| - Joia Holdings Pty Ltd | 382,000 | 0.72 |
| - William George Hames | 253,110 | 0.48 |
| | 7,498,342 | 14.10 |
| National Nominees Limited | 5,229,890 | 9.83 |

## 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.

# INVESTORS' SUMMARY

## Shareholder Value

Cedar Woods' primary objective is to create value for shareholders through growth in earnings.

The table on page 78 provides a five year summary of the company's key financial results.

Below is a table showing returns to shareholders over 1, 3 and 5 years.

| | 1YR | 3YR | 5YR |
|---|---|---|---|
| Earnings growth | 39% | 59% | 23% |
| Share price growth | 75% | 52% | 14% |
| Dividend growth | 43% | 49% | 5% |
| Total shareholder return | 82% | 61% | 23% |

## Share Liquidity

During the 2004 financial year 7.53m (2003 - 6.25m) shares were traded on the Australian Stock Exchange representing approximately 15% (2003 – 13%) of the weighted average number of shares on issue during the year.

## Dividend and Dividend Policy

The Current dividend policy is to distribute approximately 50% of the sum of the full year net profit after tax plus realised reserves. The final dividend for the 2004 financial year is 10.0 cents per share, fully franked. The dividend will be paid on 22 October 2004.

## Shareholder Discount Scheme

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

- Shareholders must hold a minimum number of 5,000 shares for at least 12 months before purchasing a lot to qualify for the discount;
- There is no limit to the number of lots which a shareholder may purchase under the scheme, subject to any statutory restrictions;
- Shareholders will receive an exclusive opportunity to purchase lots under future pre-releases before those stages are released to the general market;
- The shareholder discount scheme does not apply to combined house and land packages.

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.

## Shareholder Enquiries

Shareholders with enquiries are welcome to access information by any of the following methods:

- By contact with our share registry:
  Computershare Investor Services Pty Ltd
  Level 2, 45 St Georges Terrace
  Perth WA 6000
  Telephone: (08) 9323 2000
  Facsimile: (08) 9323 2033

  Please quote your Security Reference Number (SRN) or Holder Identification wNumber (HIN) when dealing with the share registry.

- Via the Cedar Woods web site:
  www.cedarwoods.com.au.

- By contact with the company.

  Shareholders are welcome to contact the company at any time and speak to the chief executive officer, Paul Sadleir or the company secretary, Paul Freedman.

  Telephone: (08) 9480 1500
  Facsimile: (08) 9480 1599

- By e-mail

  Shareholders are welcome to contact the company on: email@cedarwoods.com.au

## Stock Exchange Listing

Cedar Woods Properties Limited shares are listed on the Australian Stock Exchange and reported in the "Industrial" section of daily newspapers – code CWP.

# INVESTORS' SUMMARY (continued)

## Electronic Payment Of Dividends

The company 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 complete and return the form included with this Annual Report.

## Dividend Re-Investment Plan

The dividend re-investment plan has been suspended as part of measures to manage the company's capital. Shareholders should note that their participation status is not affected by the suspension of the plan, as this status will be held pending any future recommencement of the plan. Shareholders will be advised prior to recommencement of the plan. Shareholders wishing to change their participation status must complete an election form in accordance with the plan rules.

## Company Web Site - www.cedarwoods.com.au

The company web site offers the following features:

- Investor relations page, enabling shareholders to access share price and corporate governance information, browse company announcements, download financial statements and link to the company's share registry. In order to obtain and update information in relation to their shareholdings, shareholders can go to the share registry link and by entering the shareholder name, address and SRN or HIN at the prompt, shareholders will gain access to this service.
- News service providing up to date information on recent company activities and items of interest.
- Access to annual and half year reports. The annual report can be downloaded as a 'pdf' electronic file.
- Access to information on the company's major projects including the availability and price of land currently for sale.
- Feedback service to enhance communication between the company and its shareholders.

## Shareholders' Timetable

| | |
|---|---|
| Share register closes for dividend (Record date)* | 8 October 2004 |
| Dividend payment date | 22 October 2004 |
| First quarter update | October 2004 |
| Annual General Meeting (Location: Kings Park Function Centre, West Perth) | 29 October 2004 - 10.00am |
| Half-year result announcement | February 2005 |
| Third Quarter update | April 2005 |
| Full year result and dividend announcement | August 2005 |

*Based on the register closing date it is anticipated that shares will trade ex-dividend on 1 October 2004. Shareholders should check with their broker prior to trading.

# STOCK EXCHANGE ANNOUNCEMENTS

The following table summarises the company Announcements made to the Australian Stock Exchange (ASX) during the 12 months up to the date of this report. Full details are available through the ASX or Cedar Woods websites.

| | |
|---|---|
| 13 August 2004 | Results presentation to fund managers and brokers |
| 13 August 2004 | Full year results announcement and Appendix 4E |
| 23 June 2004 | Change in director's interest for RS Brown |
| 3 May 2004 | Third quarter update |
| 22 April 2004 | Confirmation of placement |
| 22 April 2004 | Change in director's interest for RS Brown |
| 19 April 2004 | Results of general meeting |
| 15 March 2004 | Half year newsletter |
| 15 March 2004 | Notice of general meeting |
| 9 March 2004 | Confirmation of placement |
| 27 February 2004 | Announcement of placement |
| 23 February 2004 | Half year results presentation |
| 23 February 2004 | Media release - half year result |
| 23 February 2004 | Half year financial statements |
| 23 February 2004 | Half year results announcement and Appendix 4D |
| 21 November 2003 | Change in director's interest for WG Hames |
| 12 November 2003 | Change in director's interest for WG Hames |
| 31 October 2003 | Results of Annual General Meeting |
| 31 October 2003 | Initial director's interest notice for PS Sadleir |
| 31 October 2003 | Appointment of Managing Director |

# 5 YEAR FINANCIAL PERFORMANCE SUMMARY

All figures in $'000 unless shown otherwise

| FINANCIAL YEAR | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|
| **Financial Performance** | | | | | |
| Revenue from ordinary activities | 57,189 | 36,412 | 26,232 | 20,441 | 21,657 |
| Earnings before interest and tax | 15,988 | 11,080 | 5,764 | 4,318 | 4,459 |
| Net interest | 1,314 | 188 | 209 | 165 | 106 |
| Operating profit before tax | 14,674 | 10,892 | 5,555 | 4,153 | 4,353 |
| Income tax expense | 4,421 | 3,757 | 2,111 | 1,789 | 1,908 |
| Net profit after tax | 10,253 | 7,135 | 3,444 | 2,364 | 2,445 |
| Realised reserve | 646 | 1,435 | 1,287 | 1,159 | 557 |
| Net Profit after tax plus realised reserve | 10,899 | 8,570 | 4,731 | 3,523 | 3,002 |
| **Financial Position** | | | | | |
| Total assets | 94,717 | 66,818 | 50,264 | 44,509 | 36,090 |
| Total liabilities | 46,885 | 29,992 | 21,258 | 16,531 | 10,844 |
| Shareholders' equity | 47,832 | 36,826 | 29,006 | 27,978 | 25,246 |
| Number of shares on issue - end of year ('000) | 53,228 | 49,420 | 48,315 | 48,315 | 45,126 |
| **Key Performance Measures** | | | | | |
| Earnings per share (cents) | 20.2 | 14.5 | 7.1 | 5.0 | 5.4 |
| Dividend per share (fully franked) | 10.0 | 7.0 | 5.0 | 3.0 | 6.0 |
| EBIT Margin | 28.0% | 30.4% | 22.0% | 21.1% | 20.6% |
| Interest cover (times) | 12 | 43 | 21 | 17 | 13 |
| Return on Equity | 21.4% | 19.4% | 11.9% | 8.4% | 9.7% |
| Investment in inventory during year | 56,026 | 25,278 | 20,925 | 7,208 | 8,193 |
| Net tangible assets backing per share (cents) | 0.90 | 0.75 | 0.60 | 0.58 | 0.56 |
| Net debt | 23,157 | 5,818 | 8,538 | 5,701 | 1,504 |
| Net debt to equity | 48.4% | 15.8% | 29.4% | 20.4% | 6.0% |
| Share price - end of year (cents) | 1.70 | 0.97 | 0.51 | 0.49 | 0.60 |
| Stock Market capitalisation at 30 June | 90,488 | 47,937 | 24,641 | 23,433 | 27,076 |
| Number of employees at 30 June | 20 | 18 | 16 | 11 | 10 |